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Glossary of Logistics Terms

**LOGISTICS
DICTIONARY**

More than 500 terms

LOGISTICS

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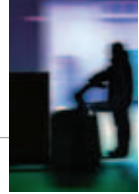
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List of abbreviations

4GL:	Fourth-Generation Language;	ASP:	Application Service Provider;
3PL:	Third-Party Logistics;	AS/RS:	Automated Storage & Retrieval System;
4PL:	Fourth-Party Logistics;	ATP:	Available To Promise;
A2A:	Anything-to-Anything;	ATS:	Available To Sell;
ABB:	Activity Based Budgeting;	AVL :	Approved Vendor List;
ABC:	Activity Based Costing;	B2B:	Business-to-Business;
ABM:	Activity Based Management;	B2C:	Business-to-Consumer;
ACD:	Automated Call Distribution;	BPO:	Business Process Outsourcing;
ACE:	Automated Commercial Environment;	BPR:	Business Process Reengineering;
ACI:	Advance Commercial Information;	BOL:	Bill of Lading;
AGVS:	Automated Guided Vehicle System;	BOM:	Bill of Material;
AI:	Artificial Intelligence;	BIM:	Basic Inventory Management;
AIDC:	Automatic Identification and Data Capture;	BTS:	Balance to Ship;
ANSI:	American National Standard Institute;	CCD:	Charge-Coupled Device;
AOM:	Advance Order Management;	CDC:	Cross-Dock Centre;
APS:	Advance Planning and Scheduling;	CDD:	Consumer Demand Driven;
APS:	Advance Planning System;	CD-ROM:	Compact Disc-Read Only Memory;
AQL:	Niveau de qualité acceptable;	CFAR:	Collaborative Forecasting and Replenishment;
ASCII:	American Standard Code for Information Interchange;	CFD:	Continuous Flow Distribution;
ASN:	Advanced Shipping Notice;	CGMP:	Current Good Manufacturing Practice;

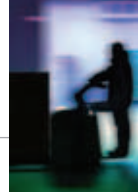


CIM :	Computer-integrated manufacturing;	DSD:	Direct Store Delivery;
COA:	Certificate of Analysis;	DSS:	Decision Support System;
CofC:	Certificate of Compliance;	DTS:	Direct-to-Store Delivery;
COGS:	Cost of Goods Sold;	EAN:	European Article Number;
COTD:	Complete & On-Time Delivery;	EAS:	Electronic Article Surveillance;
CMi:	Co-Managed Inventory;	ECR:	Efficient Customer Response;
CPFR:	Collaborative Planning and Forecasting Replenishment;	EDI:	Electronic Data Interchange;
CRP:	Continuous Replenishment Program;	EFT:	Electronic Funds Transfer;
CRP:	Capacity Requirement Planning;	Email:	Electronic Mail;
CRM:	Customer Relationship Management;	EOQ:	Economic Order Quantity;
CTP :	Capable to Promise;	EPC:	Electronic Product Code;
C-TPAT:	Custom-Trade Partnership against terrorism;	ERP:	Enterprise Resources Planning;
DC:	Distribution Centre;	ESI:	Early Supplier Involvement;
DCM:	Demand Chain Management;	EVA:	Economic Value Added;
DFMA:	Design For Manufacture / Assembly;	FA:	Functional Acknowledgment;
DGI:	Defective goods inventory;	FAK:	Freight-all-kinds;
DPC:	Dynamic Process Control;	FAS:	Free Alongside Ship;
DPP:	Direct Product Profitability;	FAST:	Free and Secure Trade;
DRP:	Distribution Resources Planning;	FFS:	Finite Forward Scheduling;
		FIFO:	First In First Out;
		FEFO:	First Expiry First Out;
		FGI:	Finished Goods Inventory;
		FGP:	Factory Gate Pricing;



List of abbreviations

FLSA:	Fair Labour Standards Act;	LCL:	Less-Than-Carload;
FMEA:	Failure Modes Effects Analysis;	LDI:	Logistics data interchange;
FOB:	Free On Board;	LED:	Light Emitting Diode;
FRM:	Floor Ready Merchandise;	LIFO:	Last In First Out;
FTP:	File Transfer Protocol;	LIMIT:	Lot-size Inventory Management Interpolation Technique;
FZ:	Free Zone;	LLP:	Lead Logistics Provider;
GIF:	Graphics Interchange Format;	LTL:	Less-Than-Truckload;
GPS:	Global Positioning System;	M2M:	Machine-to-Machine interface;
GRN:	Goods Received Note;	MES:	Manufacturing Execution System;
GST:	General Systems Theory;	MPS:	Master Production Schedule;
GVW:	Gross Vehicle Weight;	MRB:	Materials Review Board;
HTML:	HyperText Markup Language;	MRO:	Material Repair and Overhaul;
IRA:	Inventory Record Accuracy;	MRP:	Material Requirement Planning;
ISDN:	Integrated Services Digital Network;	MRPII:	Manufacturing Resource Planning;
ITE:	Independent Trading Exchange;	NIFO:	Next In First Out;
IVR:	Interactive Voice Response;	NPI:	New Product Introduction;
JIC:	Just in Case;	OCR:	Optical Character Recognition;
JIT:	Just in Time;	OF:	Order Fill;
JIT II:	Just-in-Time II;	OMS:	Order Management System;
JSA :	Joint Supplier Agreement;	OTB:	Open-to-Buy;
KPI:	Key Performance Indicators;		
LAN:	Local Area Network;		



List of abbreviations

OTIF :	On Time In Full;	SCF:	Supply Chain Execution;
PBL:	Pick By Line;	SCM:	Supply Chain Management;
PLC:	Programmable Logic Controller;	SCOR:	Supply Chain Operations Reference Model;
PLM:	Product Lifecycle Management;	SCP:	Supply Chain Planning;
PLU:	Price Look-Up;	SET:	Secure Electronic Transaction;
POD:	Proof of Delivery;	S&OP:	Sales & Operations Planning;
POP:	Proof of performance;	SKU:	Stock-Keeping Unit;
POS:	Point of Sale;	SQC:	Statistical Quality Control;
QAD:	Quality Assured Delivery;	SOW:	Statement of Work;
QFD :	Quality Function Deployment;	TQC:	Total Quality Control;
QR:	Quick Response;	TQM:	Total Quality Management;
RFP:	Request for Proposal;	TMS:	Transportation Management System;
RMA:	Return Material Authorization or Return Merchandise Authorization;	TCO:	Total Cost of Ownership;
RMR:	Retail Management Replenishment;	UN/SPSC :	Standard Products and Services Code;
RFID:	Radio Frequency Identification;	UPC:	Uniform Product Code;
RFQ:	Request for Quote;	USB:	Universal Serial Bus;
RM:	Raw Materials;	VMI:	Vendor Managed Inventory;
ROI:	Return on Investment;	WAN:	Wide Area Network;
RTV:	Return to Vendor;	WIP:	Work-in-Process;
SBT:	Scan-Based Trading;	WMS:	Warehouse Management System;
SCEM:	Supply Chain Event Management;	YMS:	Yard Management System.



3D LOADING

3D loading is a method of space optimizing designed to help quickly and easily plan the best compact arrangement of any 3D rectangular object set (boxes) within one or more larger rectangular enclosures (containers). It's based on three-dimensional, most-dense packing algorithms.

5-S PROGRAM

A program for organizing work areas. Sometimes referred to as elements, each of the five components of the program begins with the letter "S." They include sort, systemize, shine or sweep, standardize and sustain.

A

ABC CLASSIFICATION

Method of product classification used in inventory management based on the definition of three classes. Class A includes 10 to 20% of the articles representing about 80% of the inventory value. The most refined methods of inventory management will be used for this class. Class B comprises 15 to 20% of the articles representing about 15% of the value. Class C covers the remaining articles (between 60 and 75% of items) representing about 5% of the value. The latter will be managed less strictly.

ABSORPTION COSTING

In cost management, an approach to inventory valuation in which variable costs and a portion of fixed costs are assigned to each unit of production. The fixed costs are usually allocated to units of output on the basis of direct labour hours, machine hours, or material costs. Synonym: Allocation Costing.

ACCEPTABLE QUALITY LEVEL (AQL)

In quality management, when a continuing series of lots is considered, AQL represents a quality level that, for the purposes of sampling inspection, is the limit of a satisfactory process average.

ACCEPTANCE SAMPLING

The process of sampling a portion of goods for inspection rather than examining the entire lot. The entire lot may be accepted or rejected based on the sample even though the specific units in the lot are better or worse than the sample.

ACKNOWLEDGMENT

A communication by a supplier to advise a purchaser that a purchase order has been received. It usually implies acceptance of the order by the supplier.



ACTIVE INVENTORY

Quantity of products received at each delivery and integrally consumed during the period.

ACTIVITY BASED BUDGETING (ABB)

An approach to budgeting where a company uses an understanding of its activities and driver relationships to quantitatively estimate workload and resource requirements as part of an ongoing business plan. Budgets show the types, number of and cost of resources that activities are expected to consume based on forecasted workloads.

The budget is part of an organization's activity-based planning process and can be used in evaluating its success in setting and pursuing strategic goals.

ACTIVITY BASED COSTING (ABC)

A technique to determine the resources required to produce a particular product or serve a particular set of customers. This should serve to determine which products or customers are profitable and also to improve a process.

ACTIVITY BASED MANAGEMENT (ABM)

Management approach based on the identification and optimization of processes defined as a set of interrelated activities.

ACTIVITY BASED PLANNING (ABP)

An ongoing process to determine activity and resource requirements (both financial and operational), based on the ongoing demand for products or services, by specific customer needs. Resource requirements are compared to resources available, and capacity issues are identified and managed. Activity-based budgeting (ABB) is based on the outputs of activity-based planning.

ACTIVITY LEVEL

A description of types of activities dependent on the functional area. Product related activity levels may include unit, batch, and product levels. Customer-related activity levels may include customer, market, channel, and project levels.

ACTUAL COST SYSTEM

A cost system that collects costs historically as they are applied to production and allocates indirect costs to products based on the specific costs and achieved volume of the products.

ACTUATOR

An actuator is a device that acts on the basis of information it receives from a sensor.

**ADVANCE COMMERCIAL INFORMATION (ACI)**

Program providing Canadian Border Services Agency officers with electronic pre-arrival cargo information so that they are equipped with the right information at the right time to identify health, safety and security threats related to commercial goods before the goods arrive in Canada.

ADVANCED ORDER MANAGEMENT (AOM)

Computer application, and component of SCE packages, supporting the management and administrative processing of orders and promotions.

ADVANCED PLANNING AND SCHEDULING (APS)

Software package for planning the physical flows between supplier and producer from data (originating from ERP systems, for example) generated by each of the actors.

ADVANCED SHIPPING NOTICE (ASN)

Detailed shipment information transmitted to a customer or consignee in advance of delivery, designating the contents (individual products and quantities of each) and nature of the shipment. May also include carrier and shipment specifics including time of shipment and expected time of arrival. See also: Assumed Receipt.

AGGREGATE FORECAST

An estimate of sales, often time phased, for a grouping of products or product families produced by a manufacturing facility or firm. Stated in terms of units or dollars or both, the aggregate forecast is used for sales and aggregate planning purposes.

AGGREGATE INVENTORY MANAGEMENT

Establishing the overall levels of inventory desired and implementing controls to ensure that individual replenishment decisions achieve this goal.

AIR INTERFACE PROTOCOL

The authorization for use ("protocol") of RFID transmission frequencies is governed by local law. A tag ideally should be readable worldwide, but local laws mandate regional variations in reader configurations.

ALPHA RELEASE

A very early release of a product to get preliminary feedback about the feature set and usability.



AMERICAN NATIONAL STANDARDS INSTITUTE (ANSI)

A non-profit organization chartered to develop, maintain, and promulgate voluntary U.S. national standards in a number of areas, especially with regard to setting EDI standards. ANSI is the U.S. representative to the International Standards Organization (ISO).

AMERICAN STANDARD CODE FOR INFORMATION INTERCHANGE (ASCII)

A standard code that allows interchange of 128 alphanumeric and related characters between different information systems.

ANTICIPATED DELAY REPORT

A report, normally issued by both manufacturing and purchasing to the material planning function, regarding jobs or purchase orders that will not be completed on time and explaining why the jobs or purchases are delayed and when they will be completed.

ANYTHING-TO-ANYTHING (A2A)

Complete connectivity (systems term), e.g., A2A EDIe.

APICS

Educational Society for Resource Management, formerly American Production and Inventory Control Society

APPLICATION SERVICE PROVIDER (ASP)

A company that offers access over the Internet to application (examples of applications include word processors, database programs, Web browsers, development tools, communication programs) and related services that would otherwise have to be located in their own computers. ASP services are expected to become an important alternative, especially for smaller companies with low budgets for information technology. The purpose is to try to reduce a company's burden by installing, managing, and maintaining software.

APPROVED VENDOR LIST (AVL)

List of the suppliers approved for doing business. The AVL is usually created by procurement or sourcing and engineering personnel using a variety of criteria such as technology, functional fit of the product, financial stability, and past performance of the supplier.

ARTIFICIAL INTELLIGENCE (AI)

Software that uses abstract reasoning, pattern recognition, "learning," and/or problem-solving to approach tasks.



ASSEMBLE-TO-ORDER

A production environment where goods can be assembled after receipt of a customer's order. The key components (bulk, semi-finished, intermediate, subassembly, fabricated, purchased, packing, and so on) used in the assembly or finishing process are planned and usually stocked in anticipation of a customer order. Receipt of an order initiates assembly of the customized product. This strategy is useful where a large number of end products (based on the selection of options and accessories) can be assembled from common components. Synonym: finish-to-order. Also see Make-to-Order, Make-to-Stock.

ATM

Asynchronous Transfer Mode. A fast, digital communications technology for linking computer networks. Also, Automatic Teller Machine for banking and dispensing cash remotely.

AUTO-ID CENTER

An academic project at the Massachusetts Institute of Technology (MIT) that defined initial RFID standards. In 2003, the Auto-ID Center transferred its intellectual property to EPCglobal, which was entrusted with further developing and commercializing RFID standards.

AUTOMATED CALL DISTRIBUTION (ACD)

Telephone switches used in large call centres or "Customer Interaction Centres," that route calls based on rules such as "next available employee," "skill-set," etc.

AUTOMATED COMMERCIAL ENVIRONMENT (ACE)

The commercial trade processing system developed by U.S. Customs and Border Protection (CBP) to facilitate legitimate trade while strengthening border security.

AUTOMATIC IDENTIFICATION AND DATA COLLECTION (AIDC)

AIDC describes the direct entry of data into a computer system, programmable logic controller (PLC) or other microprocessor-controlled device, without using a keyboard. In the supply chain, the most common data-collection technologies are bar codes, voice technology, radio frequency identification (RFID) and sensors. Since it is possible to encode a wide range of information, from basic item identification to comprehensive details about that item, AIDC technologies provide a reliable means not only to identify but also to track items.

AUTOMATED GUIDED VEHICLE SYSTEM (AGVS)

Materials-handling or assembly vehicles capable of operating without direct human intervention.



AUTOMATED STORAGE & RETRIEVAL SYSTEM (AS/RS)

A high-density rack inventory storage system with un-manned vehicles automatically loading and unloading products to/from the racks.

AVAILABLE INVENTORY

The on-hand balance minus allocations, reservations, backorders, and (usually) quantities held for quality problems. Often called “beginning available balance.”

AVAILABLE TO PROMISE (ATP)

The uncommitted portion of a company’s inventory and planned production maintained in the master schedule to support customer-order promising. The ATP quantity is the uncommitted inventory balance in the first period and is normally calculated for each period in which an MPS receipt is scheduled. In the first period, ATP includes on-hand inventory less customer orders that are due and overdue. Three methods of calculation are used: discrete ATP, cumulative ATP with lookahead, and cumulative ATP without lookahead.

AVAILABLE TO SELL (ATS)

Total quantity of goods committed to the pipeline for a ship to or selling location. This includes the current inventory at a location and any open purchase orders.

AVERAGE INVENTORY

One-half the average lot size plus the safety stock, when demand and lot sizes are expected to be relatively uniform over time. Historically, the average can be calculated as an average of several inventory observations taken over several historical time periods; e.g., period-ending inventories may be averaged. When demand and lot sizes are not uniform, the stock level versus time can be graphed to determine the average.

B

BACKFLUSH

A method of inventory bookkeeping where the book (computer) inventory of components is automatically reduced by the computer after completion of activity on the component’s upper-level parent item based on what should have been used as specified on the bill of material and allocation records. This approach has the disadvantage of a built-in differential between the book record and what is physically in stock. Synonym: explode-to-deduct. Also see: Pre-deduct Inventory Transaction Processing

**BACKLOG (ORDER BACKLOG)**

All of the customer orders received but not yet shipped. Sometimes referred to as “open orders” or the “order board.”

BACKORDER

An unfilled customer order or commitment. It is an immediate (or past-due) demand against an item whose inventory is insufficient to satisfy the demand.

BACK SCHEDULING

A technique for calculating operation start dates and due dates. The schedule is computed starting with the due date for the order, and working backward to determine the required start date and/or due dates for each operation.

BACKSOURCING

Pulling a function back in-house as an outsourcing contract expires.

BACKUP

Duplicating information from a PC to a diskette, which ensures that information is available in the event of loss or damage to the original information.

BALANCE-OF-STORES RECORD

A double-entry record system that shows the balance of inventory items on hand and the balance of items on order and available for future orders.

BALANCE TO SHIP (BTS)

Balance or remaining quantity of a promotion or order that has yet to ship. Also see backorder

BAR CODE

A series of alternating bars and spaces printed or stamped on parts, containers, labels, or other media, representing encoded information that can be read by electronic readers. A bar code is used to facilitate timely and accurate input of data into a computer system.

BAR-CODE LABEL

A label, generally both human- and machine-readable by an automatic scanning device. Often used in shipping.



BAR-CODE READER

An electrical device designed to recognize and decipher bar-code labels, When the scanner passes over the bar code, it converts the bar code into electrical signals representing data. The Portable Tele-transaction Computer can then enter this data into files in its memory.

BASE DEMAND

The percentage of a company's demand that derives from continuing contracts and/or existing customers. Because this demand is well known and recurring, it becomes the basis of management's plans.

BASE INVENTORY LEVEL

The inventory level made up of aggregate lot-size inventory plus the aggregate safety stock inventory. It does not take into account the anticipation inventory that will result from the production plan. The base inventory level should be known before the production plan is made. Also see: Aggregate Inventory.

BASIC INVENTORY MANAGEMENT (BIM)

Area responsible for tracking and re-ordering merchandise stocked in a Distribution Centre for stores to order as needed, based on the order schedule.

BATCH

A quantity scheduled to be produced or in production. For discrete products, the batch is planned to be the standard batch quantity, but during production the standard batch quantity may be broken into smaller lots. In non-discrete products, the batch is a quantity to be produced in a given time period based on a formula or recipe, which is often developed to produce a given number of end items.

BATCH PICKING

Warehousing process in which goods are selected by pickers in quantities to satisfy the demand for more than one order. Goods are first picked by SKU, and later sorted by order or delivery address.

BATCH BILLS

A recipe or formula in which the statement of "quantity per" is based on the standard batch quantity of the parent.



BATCH PROCESSING

A computer term which refers to the processing of computer information after it has been accumulated in one group, or batch. This is the opposite of “real-time” processing where transactions are processed in their entirety as they occur.

BAYESIAN ANALYSIS

Analysis technique used in decision-support systems and models according to which uncertainty is considered and any other information used to obtain a certain number of decisions. Technique used in APS systems.

BENCHMARKING

Learning approach originally consisting of observing and analyzing the management of certain processes in a company operating in a different business but with comparable challenges. By extension, benchmarking now designates the approach of comparing a company’s performance for a given process (the logistics process, for example) to that of the leader in their sector.

BID

A quotation specifically given to a prospective purchaser upon request, usually in competition with other vendors.

BID PRICING

Negotiations to establish a price for each order for a particular customer. As opposed to the establishment of a current price applied uniformly to all customers.

BILL OF LADING (BOL)

A transportation document that is the contract of carriage containing the terms and conditions between the shipper and carrier.

BILL OF MATERIALS (BOM)

A listing of all the subassemblies, intermediates, parts, and raw materials that go into a parent assembly. Shows the quantity of each required to make an assembly. It is used in conjunction with the master production schedule to determine the items for which purchase requisitions and production orders must be released. There are a variety of display formats for bills of materials, including the single-level bill of materials, indented bill of materials, modular (planning) bill of materials, transient bill of materials, matrix bill of materials, and costed bill of materials. It may also be called the “formula,” “recipe,” or “ingredients list” in certain industries.



BLANKET PURCHASE ORDER

A long-term commitment to a supplier for material against which short-term releases will be generated to satisfy requirements. Often blanket orders cover only one item with predetermined delivery dates. Synonym: Blanket Order, Standing Order.

BLANKET RELEASE

The authorization to ship and/or produce against a blanket agreement or contract.

BLOCK SYSTEM

A block system is used in the context of the cycle counting of inventory. Products in stock are divided into groups and the counting of blocks is staggered over time following a certain periodicity.

BOILERPLATE

The standard terms and conditions on a purchase order or other document.

BONDED WAREHOUSE

Buildings, or parts of buildings, designated by the US Department of the Treasury for the purpose of storing imported merchandise, and operated under the supervision of Customs.

BOOKINGS

The sum of the value of all orders received (but not necessarily shipped), net of all discounts, coupons, allowances, and rebates.

BOOK INVENTORY

An accounting definition of inventory units and/or value obtained from perpetual inventory records rather than by actual count.

BRANDING

The use of a name, term, symbol, or design, or a combination of these, to identify a product.

BREAK-BULK

The separation of a single consolidated bulk load into smaller individual shipments for delivery to the ultimate consignees. This is preceded by a consolidation of orders at the time of shipment, where many individual orders which are destined for a specific geographic area are grouped into one shipment in order to reduce cost.



BROWSER

Software that enables an individual to access information from other locations across the Internet, an intranet, or an extranet.

BUFFER

A quantity of materials awaiting further processing. It can refer to raw materials, semi-finished stores or hold points, or to a work backlog that is purposely maintained behind a work centre.

BUSINESS PROCESS RE-ENGINEERING (BPR)

Pragmatic approach of reorganizing company activities based on the identification and analysis of the processes with a significant impact on the strategic objectives to be attained.

BUSINESS PROCESS OUTSOURCING (BPO)

The practice of outsourcing non-core internal functions to third parties. Functions typically outsourced include logistics, accounts payable, accounts receivable, payroll and human resources. Other areas can include IT development or complete management of the IT functions of the enterprise.

BUSINESS-TO-CONSUMER (B2C)

E-commerce Websites that sell goods directly to consumers are considered B2C. This distinction is important when comparing Websites that are B2B, as the business model, strategy, execution, and fulfillment are different.

BUSINESS-TO-BUSINESS (B2B)

As opposed to business-to-consumer (B2C). Many companies are now focusing on this strategy. Their sites are aimed at businesses (think wholesale) and only other businesses can access the site or use it to buy products. Internet analysts predict that this will be the biggest sector on the Web.

BUYER BEHAVIOUR

The way individuals or organizations behave in a purchasing situation. The customer-oriented concept finds out the wants, needs, and desires of customers and adapts resources of the organization to deliver need-satisfying goods and services.



C

CAPABLE TO PROMISE (CTP)

A technique used to determine if a product can be assembled and shipped by a specific date. Component availability throughout the supply chain, as well as available materials, are checked to determine if delivery of a particular product can be made.

CAPACITY MANAGEMENT

The concept that capacity should be understood, defined and measured for each level in the organization to include market segments, products, processes, activities, and resources. In each of these applications, capacity is defined in a hierarchy of idle, non-productive, and productive views.

CAPACITY PLANNING

Ensuring that needed resources (e.g., manufacturing capacity, distribution centre capacity, transportation vehicles, etc.) will be available at the right time and place to meet logistics and supply-chain needs.

CAPEX

A term used to describe the monetary requirements (CAPital EXpenditure) of an initial investment in new machines or equipment.

CARGO

A product shipped by aircraft, railroad car, ship, barge, or truck.

CARLOAD LOT

A shipment that qualifies for a reduced freight rate because it is greater than a specified minimum weight. Since carload rates usually include minimum rates per unit of volume, the higher LCL (less-than-carload) rate may be less expensive for a heavy but relatively small shipment.

CARRYING COST

Set of charges related to inventory financing and storage (insurance and miscellaneous taxes, etc.) and to storage risks (spoilage, thefts, etc.).

CASH-TO-CASH CYCLE TIME

The time it takes for cash to flow back into a company after it has been spent for raw materials. Synonym: Cash Conversion Cycle. Calculation: Total Inventory Days of Supply + Days of Sales Outstanding - Average Payment Period for Material in days.



CATEGORY MANAGEMENT

Developed initially by distributors to improve management of their sales outlets (marketing aspects), Category Management today designates a collaborative approach between a manufacturer and a distributor to manage an overall heterogeneous set of products and/or services that the consumer sees as complementary (the baby category, for example, includes baby food and child care articles).

CENTRE-OF-GRAVITY APPROACH

A supply chain planning methodology for locating distribution centres at approximately the location representing the minimum transportation costs between the plants, the distribution centres, and the markets.

CERTIFICATE OF ANALYSIS (COA)

A certification of conformance to quality standards or specifications for products or materials. It may include a list or reference of analysis results and process information. It is often required for transfer of the custody/ownership/title of materials.

CERTIFICATE OF COMPLIANCE (COFC)

A supplier's certification that the supplies or services in question meet specified requirements.

CERTIFIED SUPPLIER

A status awarded to a supplier who consistently meets predetermined objectives of quality, cost, delivery, financials, and count. Incoming inspection may not be required.

CFPIM

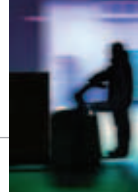
Abbreviation for Certified Fellow in Production and Inventory Management, by the American Production and Inventory Control Society. This certification recognizes superior knowledge and performance in contributing to the profession.

CHANGE MANAGEMENT

The business process that coordinates and monitors all changes to the business processes and applications operated by the business as well as to their internal equipment, resources, operating systems, and procedures. The change management discipline is carried out in a way that minimizes the risk of problems that will affect the operating environment and service delivery to the users.

CHARGE-COUPLED DEVICE (CCD)

A type of bar code reader that operates by flashing an LED, creating a reflected image onto photosensitive material, and digitizing that image.



CHECK DIGIT

A digit added to each number in a coding system, which detects errors in the recording of the code numbers. Through the use of the check digit and a predetermined mathematical formula, recording errors such as digit reversals or omissions can be noted.

CIF

Cost, Insurance & Freight, i.e., price includes cost (of goods), insurance and transport.

CITT¹

A professional development organization providing certification, networking, and advanced professional development opportunities for the supply chain sector.

CITT²

A distinctive title—a designation—granted to and used by practicing professionals in the logistics and supply chain sector who have met – and maintain – comprehensive, rigorous, and objective standards of experience and knowledge.

CLASSIFICATION 20/80

Method of product classification used in inventory management based on the definition of two classes. The first group includes 20% of the items representing about 80% of the inventory value. The most refined methods of inventory management will be used for this class.

COLLABORATIVE FORECASTING AND REPLENISHMENT (CFAR)

An initiative that enables companies along a supply chain to work together, communicating via the Internet, to develop a single, more accurate demand forecast and to create a plan for delivering product to meet that demand.

COLLABORATIVE PLANNING AND FORECASTING REPLENISHMENT (CPFR)

Trademark registered by the VICS (Voluntary Interindustry Commerce Standards) in 1996 designating an approach of collaboration and integration of the forecasting and planning processes between customers and suppliers. A certain number of test operations have been conducted between manufacturers and distributors in the area of mass consumer products, but it is also starting to be used between manufacturing companies. Partner companies (distributors, manufacturers, suppliers, etc.) exchange information on product sales and forecasts in order to synchronize their operational plans. This approach also integrates the downstream information flow to take account of manufacturing constraints.



CO-MANAGED INVENTORY (CMI)

Procurement management mode in which the distributor agrees to transmit warehouse issues and stock levels to the producer in real time (generally by EDI) so that the producer can make a replenishment proposal according to the rules previously established in the specifications. This proposal is considered either as firm (Vendor Managed Inventory or VMI) or submitted for validation by the distributor (Co-Managed Inventory or CMI).

CO-MANUFACTURING, CO-PRODUCTION

Collaboration between several companies exploiting the specific competencies of each company to create a common final product. This covers everything from product development to manufacturing and assembly. These value-added operations are sometimes allocated to Logistics Service Providers in particular when they are part of the flows handled by them. Examples are pre-manufacturing as part of procurement operations or post-manufacturing during the product shipping or distribution phases.

COMMITTED CAPABILITY

The portion of the production capability that is currently in use, or is scheduled for use.

COMPACT DISC-READ ONLY MEMORY (CD-ROM)

A disc used to store data for retrieval by computer.

COMPLETE & ON-TIME DELIVERY (COTD)

A measure of customer service. All items on any given order must be delivered on time for the order to be considered complete and on time.

COMMODITY BUYING

Grouping like parts or materials under one buyer's control for the procurement of all requirements to support production.

COMPUTER AIDED ACQUISITION AND LOGISTICS SUPPORT now

CONTINUOUS ACQUISITION AND LIFE SUPPORT (CAL)

Approach developed by the American Defense Department and transferred to the business world, including rules, modelling tools and computer applications (ERP, for example) for tracking and optimizing product flows from development to end of life.

COMPUTER-INTEGRATED MANUFACTURING (CIM)

A variety of approaches in which computer systems communicate or interoperate over a local-area network.



CONFIGURE/PACKAGE-TO-ORDER:

A process where the trigger to begin manufacture, final assembly, or packaging of a product is an actual customer order or release, rather than a market forecast. In order to be considered a Configure-to-Order environment, less than 20% of the value added takes place after the receipt of the order or release, and virtually all necessary design and process documentation is available at time of order receipt.

CONSIGNED STOCKS

Inventories, generally of finished products, that are in the possession of customers, dealers, agents, etc., but remain the property of the manufacturer by agreement with those in possession.

CONSUMER DEMAND DRIVEN (CDD)

Capturing the demand as close to the market as possible using information such as point-of-sale data.

CONSUMER DIRECT

An emerging retail channel involving the sale and shipment of goods directly to consumers, usually at their homes, with the sales often taking place through the Internet.

CONTINUOUS FLOW DISTRIBUTION (CFD)

The streamlined pull of products in response to customer requirements while minimizing the total costs of distribution.

CONTINUOUS IMPROVEMENT (KAIZEN)

From the Japanese “Kai” change and “Zen” good (for better). Applied to a company, Kaizen is an approach of encouraging participation of all employees, whatever their hierarchical level, for the maintenance of work standards and for their progressive and continuous improvement.

CONTINUOUS REPLENISHMENT PROGRAM (CRP)

Inventory management approach based on collaboration between manufacturers and distributors developed as part of ECR. Based on a defined continuous restocking plan, the two partners use EDI to exchange information concerning orders and stock movements so the supplier can replenish distributor warehouses. In the same model, inventory management can be assigned to a third party, that is, a Logistics Service Provider.



CO-PACKING

Packaging operation, often performed by the Logistics Service Provider in a dedicated zone of the warehouse, consisting of wrapping different products together (for example to bundle a sample of a new product with an old product), or identical products (in the case of promotional offers, for example).

CORE PROCESS

That unique capability that is central to a company's competitive strategy.

COST MANAGEMENT

The management and control of activities and drivers to calculate accurate product and service costs, improve business processes, eliminate waste, influence cost drivers, and plan operations. The resulting information will have utility in setting and evaluating an organization's strategies.

COST OF GOODS SOLD (COGS)

The amount of direct materials, direct labour, and allocated overhead associated with products sold during a given period of time, determined in accordance with Generally Accepted Accounting Principles (GAAP).

CROSS-DOCKING

Stock reduction approach for assuring availability of products on retail shelves through breaking up of batches on the distributor receiving dock (intermediate handling cross-docking) or the creation of retail packages by the manufacturer (pre-packed cross-docking) before a re-consolidation by the retail store.

CROSS-DOCK CENTRE (CDC)

A stockless (or virtual) distribution centre where goods are generally not placed into storage for subsequent picking, but arrive and depart relatively quickly – by passing “across the dock.” This is achieved by suppliers delivering individual store orders. Also Consolidated Distribution Centre and Combined Distribution Centre. Also see PBL.

CROSS-SHIPMENT

Material flow activity, whereby materials are shipped to customers from a secondary shipping point rather than from a preferred shipping point.

C-TYPE WAREHOUSE

A physical Customs warehouse (i.e., where goods are not subject to excise duty) in which the warehouse keeper takes full responsibility for the goods stored or owns them.



CUMULATIVE LEAD TIME

The total time required to source components, build and ship a product.

CURRENT GOOD MANUFACTURING PRACTICE (CGMP)

Regulations enforced by the U.S. Food and Drug Administration for food and chemical manufacturers and packagers.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Marketing approach to maintain loyalty of a company's customers by means of human resources (call centre, etc.), technological resources (electronic mail, etc.) and financial resources in order to maintain, update, and interpret all data related to a customer or a prospect, and automate marketing tasks (mass mailing, etc.) and manage relations with consumers (customer clubs, loyalty cards, etc.).

CUSTOM-TRADE PARTNERSHIP AGAINST TERRORISM (C-TPAT)

Program of the U.S. Department of Homeland Security to protect the United States against terrorist attacks. It requires Canadian exporters to comply with a series of regulations and conditions in order to be eligible to ship goods across the Canada-U.S. border.

CUSTOMS HOUSE BROKER

A business firm that oversees the movement of international shipments through customs, and ensures that the documentation accompanying a shipment is complete and accurate.

CYCLE COUNTING

An inventory accuracy audit technique where inventory is counted on a cyclic schedule rather than once a year. A cycle inventory count is usually taken on a regular, defined basis (often more frequently for high-value or fast-moving items and less frequently for lowvalue or slow-moving items). Most effective cycle counting systems require the counting of a certain number of items every workday with each item counted at a prescribed frequency. The key purpose of cycle counting is to identify items in error, thus triggering research, identification, and elimination of the cause of the errors.

CYCLE STOCK

One of the two main components of any item inventory, the cycle stock is the most active part, i.e., that which depletes gradually and is replenished cyclically when customer orders are received. The other part of the item inventory is the safety stock, which is a cushion of protection against uncertainty in demand or in the replenishment lead time.



CYCLE TIME

The amount of time it takes to complete a business process.

CYCLICAL DEMAND

A situation in which demand patterns for a product run in cycles, driven by seasonality or other predictable factors.

D

DASHBOARD

A performance measurement tool used to capture a summary of the Key Performance Indicators/metrics of a company. Metrics dashboards/scorecards should be easy to read and usually have “red, yellow, green” indicators to flag when the company is not meeting its targets for its metrics. Ideally, a dashboard/scorecard should be cross-functional in nature and include both financial and non-financial measures. In addition, scorecards should be reviewed regularly – at least on a monthly basis and weekly in key functions such as manufacturing and distribution where activities are critical to the success of a company. The dashboard/scorecards philosophy can also be applied to external supply chain partners such as suppliers to ensure that supplier’s objectives and practices align. Synonym: Scorecard.

DATA IDENTIFIER

Assigned character(s) within a bar-code symbol defining general category or specific use of data encoded in the symbol.

DATAMINING

Computer application that automatically structures, analyzes and interprets data stored in the Data Warehouse to provide value-added information that supports the company’s decision-making process.

DATA RETAILING

The user-interface front end, typically involving an online analytical processing system, decision support system, or executive information system. Data warehousing is the back end.

DATA WAREHOUSING

Computer system for integrated storage of overall management data with miscellaneous formats and origins and usually including a Datamining application for interpretation.



DATE-MANAGED INVENTORY

Replenishment policy based on fixed quantities at fixed dates: the quantities delivered can be close to the Economic Order Quantity or correspond to a partial delivery of an annual contract.

DAYS OF SUPPLY

Measure of quantity of inventory-on-hand, in relation to number of days for usage that will be covered. For example, if a component is consumed in manufacturing at the rate of 100 per day, and there are 1,585 units available on-hand, this represents 15.85 days' supply.

DECISION SUPPORT SYSTEM (DSS)

Software that speeds access, and simplifies data analysis, queries, etc. within a database management system. Often the basis of an executive information system. See Data Retailing.

DEDICATED CONTRACT CARRIAGE

A third-party service that dedicates equipment (vehicles) and drivers to a single customer for its exclusive use on a contractual basis.

DEFECTIVE GOODS INVENTORY (DGI)

Items that have been returned, have been delivered damaged and have a freight claim outstanding, or have been damaged in some way during warehouse handling.

DELIVERY DUTY PAID

Supplier/manufacturer arrangement in which suppliers are responsible for the transport of the goods they have produced, which are being sent to a manufacturer. This responsibility includes tasks such as ensuring products get through Customs.

DELIVERY SLIP

The delivery slip is a legal document used to summarize the delivery of an order. Its structure is similar to that of the order and it informs the customer of quantities delivered and not delivered for each line of the original order. In certain cases, the delivery slip can reflect several orders, but in this case, it would be organized accordingly with several subheads. The delivery slip is addressed to the buyer or the customer delivered to. The latter can thus verify the delivery of the order and authorize or refuse its payment.

DEMAND CHAIN

Another name for the supply chain, with emphasis on customer or end-user demand pulling materials and product through the chain.



DEMAND CHAIN MANAGEMENT

Same as supply chain management, but with emphasis on consumer pull vs. supplier push.

DEMAND PLANNING

The process of identifying, aggregating, and prioritizing, all sources of demand for the integrated supply chain of a product or service at the appropriate level, horizon, and interval. The sales forecast is comprised of the following concepts:

- o The sales forecasting level is the focal point in the corporate hierarchy where the forecast is needed at the most generic level, i.e., corporate forecast, divisional forecast, product line forecast, SKU, SKU by location.
- o The sales forecasting time horizon generally coincides with the time frame of the plan for which it was developed, i.e., annual, 1-5 years, 1-6 months, daily, weekly, monthly.
- o The sales forecasting time interval generally coincides with how often the plan is updated, i.e., daily, weekly, monthly, and quarterly.

DEMAND PLANNING SYSTEMS

The systems that assist in the process of identifying, aggregating, and prioritizing all sources of demand for the integrated supply chain of a product or service at the appropriate level, horizon and interval.

DENIED PARTY LIST (DPL)

A list of organizations that are unauthorized to submit a bid for an activity or to receive a specific product. For example, some countries have bans for certain products such as weapons or sensitive technology.

DESIGN FOR MANUFACTURE/ASSEMBLY (DFMA)

A product design methodology that provides a quantitative evaluation of product designs.

DESTINATION-ENHANCED CONSOLIDATION:

Ganging of smaller shipments to cut cost, often as directed by a system or via pooling with a third party.

DETERMINISTIC MODELS

Models where no uncertainty is included, e.g., inventory models without safety stock considerations.



DIRECT LOGISTICS FLOW

Pull management model in which the quantities produced correspond as close as possible to market demand. Just-in-time is a hyper-direct logistics flow management model.

DIRECT PRODUCTION MATERIAL

Material that is used in the manufacturing/content of a product (example: Purchased parts, solder, SMT glues, adhesives, mechanical parts, parts on a Bill of Materials, etc.).

DIRECT PRODUCT PROFITABILITY

Method developed initially (in the '60s) for grocery products to estimate the cost of moving a product through the different links of the Logistics Chain. Direct Product Profitability is an evaluation of each product's contribution to profitability. The per-unit gross margin is reduced by the cost of handling, storage, transport, and labour directly attributable to the product.

DIRECT STORE DELIVERY (DSD)

Process of shipping direct from a manufacturer's plant or distribution centre to the customer's retail store, thus bypassing the customer's distribution centre. Also called Direct-to-Store Delivery

DIRECT-TO-STORE (DTS) DELIVERY

Same as Direct Store Delivery.

DISCONTINUOUS DEMAND

A demand pattern that is characterized by large demands interrupted by periods with no demand, as opposed to a continuous or steady demand.

DISPATCH

Department responsible for scheduling the movement of merchandise loaded on trailers going to the stores.

DISTRIBUTION CENTRE (DC)

The warehouse facility that holds inventory from manufacturing pending distribution to the appropriate stores.

DISTRIBUTION CHANNEL

Series of companies involved sequentially in the movement of products or services from the producer to the end customer. A distinction is generally made between the information channel concerned with commercial transactions between the partners and the logistics channel related to physical operations.



DISTRIBUTION COSTS

Those items of cost related to the activities associated with the movement and storage of finished products. This can include inventory costs, transportation costs, and order processing costs.

DISTRIBUTION LOGISTICS

Set of activities with the goal of making available the desired items and quantities of finished goods to the customer and/or end consumer at the desired time (information contained in the DRP) at the best pricing terms. This process involves the definition of a distribution policy (inventory management method for finished goods, delivery cycle time, management of inbound transport, subcontracting to Logistics Service Providers, etc.).

DISTRIBUTION RESOURCE PLANNING (DRP)

Method of calculating the item quantities to be procured, for a given distribution network and period, (through demand forecasting), and of defining, on this basis, the necessary logistics and financial resources.

DISTRIBUTOR

A business that does not manufacture its own products, but purchases and resells these products. Such a business usually maintains a finished goods inventory. Synonym: Wholesaler.

DOCK

Temporary location in receiving and shipping areas where freight (on pallets) is stacked until slotted in the distribution centre or loaded on a trailer.

DOCK PLATE

Metal ramp used to connect trailer and dock.

DOCK-TO-STOCK

A program by which specific quality and packaging requirements are met before the product is released. Pre-qualified product is shipped directly into the customer's inventory. Dock-to-Stock eliminates the costly handling of components, specifically in receiving and inspection, and enables product to move directly into production.

DOUBLE ORDER POINT SYSTEM

A distribution inventory management system that has two order points. The smallest equals the original order point, which covers demand during replenishment lead time. The second order point is the sum of the first order point plus normal usage during manufacturing lead time. It enables warehouses to forewarn manufacturing of future replenishment orders.



DUTY-FREE ZONE

An area into which merchandise may be brought into the country for further processing. Duty is paid only on the items brought in, normally at a lower rate than for finished goods, and paid only at the time of sale.

DYNAMIC PROCESS CONTROL (DPC)

Continuous monitoring of process performance and adjustment of control parameters to optimize process output.

E

EAN-13 OR CONSUMER ARTICLE NUMBER

Bar code symbol identifying the product destined for the end user or consumer. EAN-13 is the product code (unit or Logistics) visible on display shelves.

EAN-128 OR COMMERCIAL (OR LOGISTICS) ARTICLE NUMBER

Bar code symbol identifying articles ordered, delivered, and billed between commercial partners. EAN-128 is the code used in inventory management and storage. A commercial or logistics article identified by an EAN-128 (for example, a parcel) includes several consumer articles identified by an EAN-13.

EAN-UCC SYSTEM

Set of automatic identification tools (in particular bar code systems) that facilitate producer-distributor exchanges, distributed in different countries through domestic associations.

EARLY SUPPLIER INVOLVEMENT (ESI)

The process of involving suppliers early in the product design activity and drawing on their expertise, insights and knowledge to generate better designs in less time and designs that are easier to manufacture with high quality.

EARMARKED MATERIAL

Reserved on-hand material, which is physically identified rather than merely reserved in a balance-of-stores record.

E-BUSINESS

A buzzword that has been adulterated at Internet speed. Now generally refers to any form of Internet- or extranet- or EDI-based linkages to customers, retailers, or other areas of an enterprise.

**ECONOMIC ORDER QUANTITY**

Method of calculating the size of a batch to be produced, or ordered from a supplier, based on the demand forecast for a given period. The factors used to calculate the Economic Order Quantity include carrying costs, ordering costs, the cost of stock-outs and the various conditions contained in the procurement contract such as volume discounts. The objective of this method is to minimize the overall supply cost.

ECONOMIC VALUE ADDED (EVA)

A measurement of shareholder value as a company's operating profits after tax, less an appropriate charge for the capital used in creating the profits.

EDGEWARE

Hardware that runs applications or middleware close to the "edge" of the network, managing and filtering data from readers and other devices.

EDIFACT

Electronic Data Interchange for Administration, Commerce and Transport. The United Nations EDI standard.

EFFICIENT CONSUMER RESPONSE (ECR)

Cooperative approach between manufacturing companies and distributors with the objective of increasing customer satisfaction while improving the economic performance of the participating companies. ECR aims to optimize restocking of sales outlets and to improve the performance of promotional activities using specific techniques or tools:

- communication modes (EDI),
- management system (CMI, Category Management, Cross-Docking),
- Activity Based Costing.

ELECTRONIC ARTICLE SURVEILLANCE (EAS)

The protection of merchandise by the attachment of electronically sensed tags.

ELECTRONIC COMMERCE (EC)

Also written as e-commerce. Conducting business online. In the traditional sense of selling goods, it is possible to do this electronically because of certain software programs that run the main functions of an e-commerce website, such as product display, online ordering, and inventory management. The definition of e-commerce includes business activity that is Business-to-Business (B2B), Business-to-Consumer (B2C).



ELECTRONIC DATA INTERCHANGE (EDI)

Exchange of formatted data between the different applications of the partners' computer systems (computer to computer). This exchange is based on use of common languages (the EDIFACT standard, for example) and use of telecommunications channels.

ELECTRONIC FORMS INTERCHANGE (EFI)

Electronic solution designed to make EDI technology more accessible. The EFI "station" sends and receives EDI messages via the Internet and converts this coded data into forms (for example, a shipping document) using a form reader program.

ELECTRONIC FUNDS TRANSFER (EFT)

A computerized system that processes financial transactions, and information about these transactions, or that performs the exchange of value. Sending payment instructions across a computer network, or an electronic exchange of value, company-to-company, company-to-bank, or bank-to-bank.

ELECTRONIC MAIL (EMAIL)

The computer-to-computer exchange of messages. The format of email is usually unstructured (free-form) rather than structured. X.400 has become the standard for email exchange.

ELECTRONIC MARKETPLACE

Electronic communication platform enabling companies to communicate with their partners (suppliers and distributors) to facilitate business transactions and optimize economic performance.

Electronic marketplaces are generally divided into three categories:

- the "vertical" marketplaces bringing together all actors of a channel (for example, agri-food producers, distributors and intermediaries, textile, chemicals, etc.);
- the "horizontal" marketplaces bringing together companies located at the same stage of the value creation chain and belonging to the same business sector (for example, all distributors);
- the "transverse" or "public" marketplaces to which any type of company can belong whatever their business sector (for example, a marketplace bringing together companies specialized in MRO products).

ELECTRONIC PRODUCT CODE (EPC)

Identifier of a unique article at the pallet, case, or unit level. A coding standard for manufacturers and distributors allowing complete traceability down to the serial number. The EPC network is an open standard allowing supply-chain partners to share product information.

**END-OF-LIFE INVENTORY**

Inventory on hand that will satisfy future demand for products that are no longer in production at your factory.

ENGINEERING CHANGE ORDER (ECO)

A documented and approved revision to a product or process specification.

ENTERPRISE APPLICATION INTEGRATION (EAI)

Tools and methods to enable exchanges between applications not initially designed to communicate with each other. Based on modelling of application interaction, EAI translates data into a form usable by the receiving application and routes it to the right destination through the use of Middleware. EAI was initially developed to facilitate internal interoperation between the applications of a company's information system. Today it also designates B2B software developed for IS applications of different partners to enable them to communicate through the Internet and XML-based languages.

ENTERPRISE RESOURCE PLANNING (ERP)

Computer application integrating all information flows to do with management of the different corporate functions (accounting, production, sales, logistics, etc.).

E-PROCUREMENT

Use of Internet technologies to manage purchasing and procurement. This approach was initially developed by a single company ("proprietary solution") but can evolve towards a shared model as represented by Marketplaces.

ETHERNET

A computer term for the most commonly used type of Local Area Network (LAN) communication protocol, using coaxial or twisted pair wiring.

EUROPEAN ARTICLE NUMBER (EAN)

A defined numbering mechanism used in Europe to uniquely identify every retail product and packaging option. The EAN is similar in concept and design to the UPC code and is usually what the bar code represents on goods. Also see: Uniform Product Code.

EXTERNAL FAILURES COST

The cost related to problems found after the product reaches the customer. This usually includes such costs as warranty and returns.



EXTRANET

A computer term describing a private network (or a secured link on the public Internet) that links separate organizations and that uses the same software and protocols as the Internet. Used for improving supply-chain management. For example, extranets are used to provide a supply-chain partner with access to internal inventory data, which is not available to unrelated parties. Antonym: intranet.

F

FACTORY GATE PRICING (FGP)

Price excludes delivery. By taking over responsibility for primary transport, retailers aim to reduce empty running.

FACTORY WITHIN A FACTORY

A technique to improve management focus and overall productivity by creating autonomous business units within a larger physical plant.

FAILURE MODES EFFECTS ANALYSIS (FMEA)

A proactive method of predicting faults and failures so that preventive action can be taken.

FAIR LABOUR STANDARDS ACT (FLSA)

Federal (U.S.) law that governs the definitions of management and labour and that establishes wage payment, hours worked, and other employment practices.

FAIR-SHARE QUANTITY LOGIC

In inventory management, the process of equitably allocating available stock among field distribution centres. Fair-share quantity logic is normally used when stock available from a central inventory location is less than the cumulative requirements of the field stocking locations.

FAS (1)

Abbreviation for final assembly schedule.

FAS (2)

Abbreviation for free alongside ship.

FDA

The U.S. Food and Drug Administration.



FIFTH PARTY LOGISTICS

See Logistics Service Provider.

FILE TRANSFER PROTOCOL (FTP)

The Internet service that transfers files from one computer to another, over standard phone lines.

FILL RATE

The percentage of order items that the picking operation actually fills within a given period of time.

FINISHED GOODS INVENTORY (FG OR FGI)

Products completely manufactured, packaged, stored, and ready for distribution.

FINITE FORWARD SCHEDULING (FFS)

Manufacturers' scheduling approach which assumes there is a finite production capacity.

FIRST IN FIRST OUT (FIFO)

Accounting method of valuing stock issues by extracting the articles in the order they were received. This leads to creation of fictitious individual lots on the product file and in an inflationary period, to lower issue costs and therefore an increase of reported profits.

FLOOR READY MERCHANDISE (FRM)

Goods shipped by suppliers to retailers with all necessary tags, prices, security devices, etc. already attached, so goods can be cross docked rapidly through retail DCs, or received directly at stores.

FMC

Abbreviation for flexible machine centre.

FMS

Abbreviation for flexible manufacturing system.

FOB DESTINATION

Title passes at destination, and seller has total responsibility until shipment is delivered.

FOB ORIGIN

Title passes at origin, and buyer has total responsibility over the goods while in shipment.



FORECAST

An estimate of future demand. A forecast can be determined by mathematical means using historical data; it can be created subjectively by using estimates from informal sources; or it can represent a combination of both techniques.

FOURTH-GENERATION LANGUAGE (4GL)

A series of high-level, nonprocedural computer languages that use menus, drag-and-drop, point-and-click, and English-like wording to design and develop applications.

FOURTH PARTY LOGISTICS

See Logistics Service Provider.

FREE ALONGSIDE SHIP (FAS)

Price includes delivery of goods alongside ship at port of export. See also FOB. Also "Flexible Accounting System."

FREE AND SECURE TRADE (FAST)

A Canada–U.S. initiative involving the Canada Border Services Agency, Citizenship and Immigration Canada, and the United States Customs and Border Protection and United States Immigration and Naturalization.

FREE ON BOARD (FOB)

Contractual terms between a buyer and a seller that define where title transfer takes place.

FREE ZONE (FZ)

A duty-free zone.

FREIGHT-ALL-KINDS (FAK)

An approach to rate making whereby the ante is based only upon the shipment weight and distance.

FREIGHT FORWARDER

An organization that provides logistics services, acting as an intermediary between the shipper and the carrier, typically on international shipments. Freight forwarders provide the ability to respond quickly and efficiently to changing customer and consumer demands and to international shipping (import/export) requirements.

FULFILLMENT

Delegation of certain physical operations to an external service provider. The main



areas in which fulfillment are used are direct marketing, management of promotions and logistics. An e-commerce site can make use of fulfillment for the management, shipping, and billing of orders.

FUNCTIONAL ACKNOWLEDGMENT (FA)

A specific EDI Transaction Set (997) sent by the recipient of an EDI message to confirm the receipt of data but with no indication as to the recipient application's response to the message. The FA will confirm that the message contained the correct number of lines, etc. via control summaries, but does not report on the validity of the data.

G

GANTT CHART

The earliest and best-known type of control chart, specially designed to graphically show the relationship between planned performance and actual performance, named after its originator, Henry L. Gantt. It is used for machine loading, where one horizontal line is used to represent capacity and another to represent load against that capacity, or for following job progress where one horizontal line represents the production schedule and another parallel line represents the actual progress of the job against the schedule in time.

GATEWAY

The connection that permits messages to flow freely between two networks.

GENERAL SYSTEMS THEORY (GST)

The common basic features of all social, organic, and mechanical systems.

GLOBALIZATION

The process of making something worldwide in scope or application.

GLOBAL POSITIONING SYSTEM (GPS)

Satellite-based location system, used in vehicle positioning.

GOODS RECEIVED NOTE (GRN)

Documentation issued by the recipient of materials or products.

GRAPHICS INTERCHANGE FORMAT (GIF)

A graphical file format commonly used to display indexed-colour images on the World Wide Web. GIF is a compressed format, designed to minimize file transfer time over standard phone lines.



GROSS INVENTORY

Value of inventory at standard cost before any reserves for excess and obsolete items are taken.

GROSS VEHICLE WEIGHT (GVW)

Maximum rated weight of a truck, including its cargo. See also TW.

H

HANDLING COSTS

The costs involved in moving, transferring, preparing, and otherwise handling inventory.

HARDWARE

The physical equipment or machines used to process information (as opposed to software which includes programs, procedures, etc.).

HEDGE INVENTORY

A form of inventory buildup to buffer against some event that may happen. Hedge inventory planning involves speculation related to potential labour strikes, price increases, unsettled governments, and events that could severely impair a company's strategic initiatives.

HIGH-SPEED BAR-CODE SCANNERS

Scanners that can read bar-coded documents at up to 600 documents per minute.

HOPPER CARS

Rail cars that permit top loading and bottom unloading of bulk commodities; some hopper cars have permanent tops with hatches to provide protection against the elements.

HUB

- 1) A large retailer or manufacturer having many trading partners.
- 2) A reference for a transportation network as in "hub and spoke" which is common in the airline and trucking industry. For example, a hub airport serves as the focal point for the origin and termination of long-distance flights where flights from outlying areas are fed into the hub airport for connecting flights.
- 3) A common connection point for devices in a network.
- 4) A Web "hub" is one of the initial names for what is now known as a "portal." It came from the creative idea of producing a website, which would contain many dif-



ferent “portal spots” (small boxes that looked like ads, with links to different yet related content). This content, combined with Internet technology, made this idea a milestone in the development and appearance of websites, primarily due to the ability to display a lot of useful content and store one’s preferred information on a secured server. The Web term “hub” was replaced with portal.

HYBRID INVENTORY SYSTEM

Inventory system combining features of the fixed reorder quantity inventory model and the fixed reorder cycle inventory model.

HYPERTEXT MARKUP LANGUAGE (HTML)

The standard language for describing the contents and appearance of pages on the World Wide Web.



INBOUND LOGISTICS:

The movement of materials from suppliers and vendors into production processes or storage facilities.

INCOTERMS

International terms of sale developed by the International Chamber of Commerce to define sellers’ and buyers’ responsibilities.

INDEPENDENT TRADING EXCHANGE (ITE)

Often used synonymously with B2B, e-marketplace or Virtual Commerce Network (VCN). ITE is a more precise term, connoting many-to-many transactions, whereas the others do not specify the transactions.

INDIRECT DISTRIBUTION

Your company sells and ships to the distributor. The distributor sells and ships to the end user. This may occur in multiple stages. Ultimately your products may pass through the Indirect/Distributor Channel and arrive at a retail outlet. Order information in this channel may be transmitted by electronic means. These means may include EDI, brokered systems, or linked electronic systems.

INFINITE LOADING

Calculation of the capacity required at work centres in the time periods required regardless of the capacity available to perform this work.



IN-STORE SIGNAGE

Professional signs that can be created in stores.

INTEGRATED EDI

EDI transmissions that flow directly into appropriate business systems without human processing, thus reducing administrative costs.

INTERMODAL TRANSPORT

Use of two or more different carrier modes in the through movement of a shipment.

INSOURCING

The opposite of outsourcing, that is, a service performed in-house.

INTEGRATED BUSINESS MANAGEMENT SYSTEM

See ERP.

INTEGRATED LOGISTICS SUPPORT

Approach to managing the elements and activities (infrastructures, machinery, spare parts, documentation, training, etc.) needed from the product development stage to the end of life of a piece of equipment.

INTEGRATED SERVICES DIGITAL NETWORK (ISDN)

A computer term describing the networks and equipment for integrated broadband transmissions of data, voice and image, from rates of 144 Kbps to 2 Mbps.

INTEGRATOR

Logistics Service Provider integrating all necessary means of transportation to ship merchandise from one point to another ("door-to-door") on behalf of the contracting party. The term applies in particular to the international operators of express courier services.

INTERACTIVE VOICE RESPONSE (IVR)

A combination of hardware and software that allows a person to ask questions and provide answers by pressing keys on their touch-tone phone. IVR systems are used to automate data entry, eliminating the need for 24-hour staffing of very routine jobs.

INTELLIGENT LABEL ("TAG" OR RADIO FREQUENCY LABEL)

Programmable and re-recordable label, read without contact using radio-frequency identification (RFID).



INTERFACES

Zone of meeting, tension or overlapping between the objectives, responsibilities and/or activities of two or more entities: actors of the Logistics Chain (inter-organizational interfaces) or sub-systems of the same organization (intra-organizational interfaces).

INTRA-MANUFACTURING RE-PLAN CYCLE

Average elapsed time, in calendar days, between the time a regenerated forecast is accepted by the end-product manufacturing/assembly location, and the time that the revised plan is reflected in the Master Production Schedule of all the affected internal sub-assembly/component producing plant(s).

IRREGULAR ROUTE CARRIER

A motor carrier that is permitted to provide service utilizing any route.

IN-TRANSIT INVENTORY

Material moving between two or more locations, usually separated geographically; for example, finished goods being shipped from a plant to a distribution centre. In-transit inventory is an easily overlooked component of total supply chain availability.

INVENTORY CARRYING COST

One of the elements comprising a company's total supply-chain management costs. These costs consist of the following:

- 1. Opportunity Cost:** The opportunity cost of holding inventory. This should be based on your company's own cost of capital standards using the following formula. Calculation: $\text{Cost of Capital} \times \text{Average Net Value of Inventory}$.
- 2. Shrinkage:** The costs associated with breakage, pilferage, and deterioration of inventories. Usually pertains to the loss of material through handling damage, theft, or neglect.
- 3. Insurance and Taxes:** The cost of insuring inventories and taxes associated with the holding of inventory.
- 4. Total Obsolescence for Raw Material, WIP, and Finished Goods Inventory:** Inventory reserves taken due to obsolescence and scrap and includes products exceeding the shelf life, i.e., spoils and is no good for use in its original purpose (do not include reserves taken for Field Service Parts).
- 5. Channel Obsolescence:** Aging allowances paid to channel partners, provisions for buy-back agreements, etc. Includes all material that goes obsolete while in a distribution channel. Usually, a distributor will demand a refund on material that goes bad (shelf life) or is no longer needed because of changing needs.



6. Field Service Parts Obsolescence: Reserves taken due to obsolescence and scrap. Field Service Parts are that inventory kept at locations outside the four walls of the manufacturing plant, i.e., distribution centre or warehouse.

INVENTORY CYCLE

The length of time between two consecutive replenishment shipments.

INVENTORY RECORD ACCURACY (IRA)

Accuracy of inventory records, calculated in number of units out of 100 that fall within accepted tolerances during a stock count.

INVENTORY SHRINKAGE

Losses of inventory resulting from scrap, deterioration, pilferage, etc.

INVENTORY TURNS

The cost of goods sold divided by the average level of inventory on hand. This ratio measures how many times a company's inventory has been sold during a period of time. Operationally, inventory turns are measured as total throughput divided by average level of inventory for a given period; How many times a year the average inventory for a firm changes over, or is sold.

J

JOINT COST

A type of common cost where products are produced in fixed proportions, and the cost incurred one produce on product necessarily entails the production of another.

JOINT SUPPLIER AGREEMENT (JSA)

Indicative of Stage 3 Sourcing Practices, the JSA includes terms and conditions, objectives, process flows, performance targets, flexibility, balancing, and incentives.

JUST IN CASE (JIC)

Stocks held to maintain supplies under JIT.

JUST-IN-TIME (JIT)

Lean Manufacturing model developed initially by the engineer Taiichi Ohno at Toyota which consists of monitoring and controlling the production system to eliminate all sources of waste, in particular related to intermediate stocks and poor quality. Production is thus equal to demand at all stages of the process.



JUST-IN-TIME II (JIT II)

Vendor-managed operations taking place within a customer's facility. JIT II was popularized by the Bose Corporation. The supplier reps, called "inplants," place orders to their own companies, relieving the customer's buyers from this task. Many also become involved at a deeper level, such as participating in new product-development projects, manufacturing planning (concurrent planning), and so on.

K

KAIZEN

The Japanese term for improvement; continuing improvement involving everyone - managers and workers. In manufacturing, kaizen relates to finding and eliminating waste in machinery, labour, or production methods. Also see: Continuous Process Improvement

KANBAN

Information tool developed initially by the engineer Taiichi Ohno at Toyota in the context of Just-in-Time. The Kanban is a card (or label) fastened to a specific item being manufactured (finished or semifinished product) that tells a workstation the quantity to be delivered to the workstation located just downstream (downstream demand).

KEYBOARD

An arrangement of typing and function keys laid out in a specified manner used for entering data.

KEY PERFORMANCE INDICATORS (KPI)

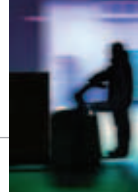
A measure which is of strategic importance to a company or department. For example, a supply chain flexibility metric is Supplier On-time Delivery Performance which indicates the percentage of orders that are fulfilled on or before the original requested date. Also see: Scorecard

KIT

The components of a parent item that have been pulled from stock and readied for movement to a production area.

KITTING

Light assembly of components or parts into defined units. Kitting reduces the need to maintain an inventory of pre-built completed products, but increases the time and labour consumed at shipment. Also see: Postponement



L

LABEL CARD

A bar-coded transaction card with an attached bar-code label. The card and label bar codes match. Label is removed from card and placed on merchandise.

LABOUR MANAGEMENT

Control/management of available labour pool, involving time and attendance and scheduling of employees.

LAID-DOWN COST

The sum of the product and transportation costs. The laid-down cost is useful in comparing the total cost of a product shipped from different supply sources to a customer's point of use.

LANDED COST

Cost of product plus relevant logistics costs such as transportation, warehousing, handling, etc. Also called Total Landed Cost or Net Landed Costs

LAST IN FIRST OUT (LIFO)

Accounting method of valuing stock issues by first extracting the articles last entered into inventory. This leads to creation of fictitious individual lots on the product file, and to lower issue costs and therefore a decrease of reported profits.

LEAD LOGISTICS PROVIDER (LLP)

An organization that organizes other 3rd party logistics partners for outsourcing of logistics functions. Also see: Fourth Party Logistics.

LEAD TIME

Quantitative indicator measuring the time difference between stimulus and response. This indicator can be applied to different levels of the logistics process, for example to measure the actual time taken between the placing of an order and the delivery of a product.

LEAST TOTAL COST

A dynamic lot-sizing technique that calculates the order quantity by comparing the setup (or ordering) costs and the carrying cost for various lot sizes and selects the lot size where these costs are most nearly equal.



LEAST UNIT COST

A dynamic lot-sizing technique that adds ordering cost and inventory carrying cost for each trial lot size and divides by the number of units in the lot size, picking the lot size with the lowest unit cost.

LESS-THAN-CARLOAD (LCL)

Shipment that is less than a full railcar load (lot shipment).

LESS-THAN-TRUCKLOAD (LTL)

Trucking companies that consolidate and transport smaller (less than truckload) shipments of freight by utilizing a network of terminals and relay points.

LEVERAGE

Taking something small and exploding it. Can be financial or technological.

LIFE CYCLE, PRODUCT

Period consisting of the typical life phases (such as product launch, market penetration, market saturation) of a product.

LIGHT EMITTING DIODE (LED)

Serve as indicator lights on Portable Tele-transaction computers and other devices.

LINKED DISTRIBUTED SYSTEMS

Independent computer systems, owned by independent organizations, linked in a manner to allow direct updates to be made to one system by another.

LOAD TENDERING

The practice of providing a carrier with detailed information and negotiated pricing prior to scheduling pickup. This practice can help assure contract compliance and facilitate automated payments.

LOCAL AREA NETWORK (LAN)

A high-speed communications system designed to link computers and other data-processing devices together, within a small geographic area such as a work group, department, or a single floor of a multi-storey building.

LOGISTICS

The function of sourcing and distributing material and product in the proper place and in the proper quantities.



LOGISTICS CHAIN EVENT MANAGEMENT (SCEM)

Management approach based on considering events that trigger, interrupt, suspend, or modify the movement of flows. It is based on a computer application, developed by the American firm AMR Research, to direct, alert, simulate, track and measure activities making up the Logistics Chain. This system assumes data integration and process synchronization among the set of applications used to manage the Logistics Chain (SCE and SCP).

LOGISTICS CHAIN MANAGEMENT

Series of interdependent companies (considered as links of the chain) collaborating to carry out activities (procurement, production and distribution) for the movement of products or services from product development to end of life (after-sales service and withdrawal logistics).

LOGISTICS COSTS

Set of charges related to the product Carrying Costs, Storage Costs, and Product Movement Costs.

LOGISTICS DASHBOARD

Dynamic management tool, quickly drawn up, showing a series of quantitative (financial and non-financial) and qualitative indicators, allowing a logistics manager to track and validate the key points they wish to control and, if necessary, to take short-term corrective actions.

LOGISTICS DATA INTERCHANGE (LDI)

A computerized system to electronically transmit logistics information.

LOGISTICS FUNCTION

Organizational entity in charge of all or part of the planning and/or implementation of the logistics-related activities.

LOGISTICS SERVICE PROVIDER

Company performing logistics activities on behalf of a manufacturer or distributor. Depending on the complexity and the type of value-added operations carried out by the Logistics Service Provider, several categories can be defined:

- the traditional Logistics Service Providers who carry out physical logistics operations (transport and storage) and whose management system is limited to tracking shipments on behalf of the client company;
- the value-added Logistics Service Providers who add a certain number of services to the traditional package ranging from managing complex operational handling (co-manufacturing and co-packing), to management of administrative operations (billing and ordering) and information management (tracking-tracing, etc.);



- logistics services integrators characterized by the quasi-absence of their own physical facilities. Their role is to integrate the services of different sub-contracting companies (transport, storage, value-added operations, etc.) and to coordinate and control them through management of the associated information flows.

There are other names for these three categories. The first and the second are frequently referred to as Third Party Logistics (3PL). The third corresponds to the terminology submitted by Accenture of Fourth Party Logistics (4PL). Finally, even though uncommon and very close to 4PL, the name of Fifth Party Logistics (5PL) is attributed to Logistics Service Providers who plan, organize and implement logistics solutions on behalf of a contracting party (in particular, information systems) by exploiting the appropriate technologies (conceptual level).

LOGISTICS SERVICE RATIO

Performance indicator for logistics processes or activities giving the degree of success in meeting the set logistics objectives. The logistics service ratio is usually calculated on the basis of the number of orders (sometimes on the percentage of sales) that met customer or end-consumer expectations within the allowed time, out of the total number of orders made.

LOGISTICS VISIBILITY AND CONTROL

Also known as supply-chain visibility and event management, these applications monitor the supply chain for events that are important to the end users. Logistics visibility and control solutions combine alerts with escalation rules to report those events to decision makers who can act on them before they mushroom into problems.

LOT-FOR-LOT

A lot-sizing technique that generates planned orders in quantities equal to the net requirements in each period.

LOT-SIZE INVENTORY MANAGEMENT INTERPOLATION TECHNIQUE (LIMIT)

A technique for looking at the lot sizes of groups of products to determine the effect of economic lot sizes on the total inventory and on total setup costs.

LOT TRACEABILITY

The ability to identify the lot or batch numbers of consumption and/or composition for manufactured, purchased, and shipped items. This is a federal (U.S.) requirement in certain regulated industries.



M

MACHINE-TO-MACHINE INTERFACE (M2M)

A term describing the process whereby machines are remotely monitored for status and problems reported and resolved automatically or maintenance scheduled by the monitoring systems.

MAINTENANCE REPAIR & OPERATING SUPPLIES (MRO)

Items used in support of general operations and maintenance such as maintenance supplies, spare parts, and consumables used in the manufacturing process and supporting operations.

MAKE-TO-ORDER (MANUFACTURE-TO-ORDER)

A manufacturing process strategy where the trigger to begin manufacture of a product is an actual customer order or release, rather than a market forecast. For Make-to-Order products, more than 20% of the value-added takes place after the receipt of the order or release, and all necessary design and process documentation is available at time of order receipt.

MAKE-TO-STOCK (MANUFACTURE-TO-STOCK)

A manufacturing process strategy where finished product is continually held in plant or warehouse inventory to fulfill expected incoming orders or releases based on a forecast.

MANUFACTURE CYCLE TIME

Average time between the commencement and completion of a manufacturing process, as it applies to make-to-stock products. Calculation: [Average # of units in WIP] / [Average daily output in units].

MANUFACTURING EXECUTION SYSTEM (MES)

Programs and systems that participate in shop floor control, including programmed logic controllers and process control computers for direct and supervisory control of manufacturing equipment; process information systems that gather historical performance information, then generate reports; graphical displays; and alarms that inform operations personnel what is going on in the plant currently and a very short history into the past. Quality control information is also gathered and a laboratory information management system may be part of this configuration to tie process conditions to the quality data that are generated. Thereby, cause-and-effect relationships can be determined. The quality data at times affect the control parameters that are used to meet product specifications either dynamically or off line.



MANUFACTURING LEAD TIME

The total time required to manufacture an item, exclusive of lower level purchasing lead time.

MANUFACTURING RESOURCE PLANNING (MRP II)

A method for the effective planning of all resources of a manufacturing company. Ideally, it addresses operational planning in units, financial planning in dollars, and has a simulation capability to answer “what if” questions. It is made up of a variety of linked functions: business planning, sales and operations (production planning), master production scheduling, material requirements planning, capacity requirements planning, and the execution support systems for capacity and material. Output from these systems is integrated with financial reports, such as business plans, purchase commitment reports, shipping budgets, inventory projections in dollars, etc. Manufacturing resource planning is a direct outgrowth and extension of closed-loop MRP.

MARKET DEMAND

In marketing, the total demand that would exist within a defined customer group in a given geographical area during a particular time period given a known marketing program.

MASTER PACK

Carton received that contains more than one warehouse pack or shipping unit inside it. This is very common in certain orders, such as imports.

MASTER PRODUCTION SCHEDULE (MPS)

Medium-term production planning indicating the start of manufacturing in quantities and lead times for each article according to demand and the company’s capacity. The MPS is used in particular to establish the Material Requirements Plan.

MATERIALS HANDLING CONTROL SYSTEM

An MHCS, also known as an automation control system or a warehouse control system, is an execution system that sits between the WMS and machine-level devices to manage automated materials-handling and process systems.

MATERIAL REPAIRS AND OVERHAUL (MRO)

Set of purchased products and/or services that do not directly enter into the manufacturing process (for example, consumables, machinery, or travel and accommodation costs, etc.).



MATERIAL REQUIREMENTS PLAN (MRP)

Medium-term planning of the company's procurement needs indicating for each material, component or semifinished product, the quantities and the lead times based on the start of manufacturing by the company.

MATERIAL REQUIREMENTS PLANNING (MRP)

Method of manufacturing planning that establishes a Master Production Schedule and Material Requirements Plan based on end demand.

MATERIALS REVIEW BOARD (MRB)

An organization within a company, often a standing committee, whose job is to determine the disposal of items that have questionable quality or other attributes.

M-COMMERCE

Mobile commerce applications involve using a mobile phone to carry out financial transactions. This usually means making a payment for goods or transferring funds electronically.

MESH NETWORK

New technologies to enable real-time communications continue to emerge. Mesh networking is a new development to improve the performance of wireless LANs. In a typical RF application, each device on the network talks to a radio at an access point, which in turn, communicates to a base station and the Ethernet. A mesh network, on the other hand, is a loose grid that can relay data from one radio to the next. The radios locate each other and determine the best way to route a packet of data back to the Ethernet. A mesh network, in theory, would allow a user to extend the LAN network into areas like a yard.

MICRO-MERCHANDISING

A subset of micro-marketing focused on customizing assortments, quantities, and displays for each store.

MICROPROCESSOR

A microprocessor is a single-chip, program-controlled device that retrieves instructions from a materials-handling control system and executes the instructions.

MIDDLEWARE

Software used in the context of an EAI for transferring data between two computer applications not initially able to communicate with each other.



MILK RUN

A regular route for pickup of mixed loads from several suppliers. For example, instead of each of five suppliers sending a truckload per week to meet the weekly needs of the customer, one truck visits each of the suppliers on a daily basis before delivering to the customer's plant. Five truckloads per week are still shipped, but each truckload contains the daily requirement from each supplier. Also see: Consolidation

MIN-MAX SYSTEM

A type of order point replenishment system where the "min" (minimum) is the order point, and the "max" (maximum) is the "order up to" inventory level. The order quantity is variable and is the result of the max minus the available and on-order inventory. An order is recommended when the sum of the available and on-order inventory is at or below the min.

MOBILE RESOURCE MANAGEMENT

These systems combine global positioning, RFID and other wireless technologies to track the movement and location of mobile assets such as trucks and returnable containers in near real time.

MRB

Abbreviation for materials review board.

MTM

Abbreviation for methods-time measurement.

N

NET ASSET TURNS

The number of times you replenish your net assets in your annual sales cycle. A measure of how quickly assets are used to generate sales.

NEW PRODUCT INTRODUCTION (NPI)

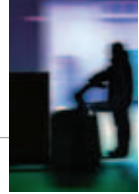
The process used to develop products that are new to the sales portfolio of a company.

NEW TECHNOLOGIES

Set of technologies resulting from convergence between information systems, telecommunications and audiovisual for processing and/or exchanging information. Example : Electronic Forms Interchange (EFI) through the Internet.

NEXT IN FIRST OUT (NIFO)

Accounting method of valuing stock issues that does not consider the real value of



the purchases but rather the value of the next purchase. In an inflationary period, this method results in lower reported values and therefore faster alerts.

NODE

A fixed point in a firm's logistics system where goods come to rest; includes plants, warehouses, supply sources and markets.

O

OBSOLETE INVENTORY

Inventory for which there is no forecast demand expected. A condition of being out of date. A loss of value occasioned by new developments that place the older property at a competitive disadvantage.

OCR

Abbreviation for optical character recognition.

OEM

Abbreviation for original equipment manufacturer.

ON DEMAND

Pertaining to work performed when demand is present. Typically used to describe products that are manufactured or assembled only when a customer order is placed.

ON-HAND ADJUSTMENT

The act in which the inventory level is being adjusted for a specific item.

ONLINE

Having direct access to the computer. Changes, additions, and deletions are immediately updated.

ON TIME IN FULL (OTIF)

Sales order delivery performance measure which can be expressed as a target, say, of achieving 98% of orders delivered in full, no part shipments, on the requested date.

OPEN-TO-BUY (OTB)

A way to manage inventory, in which authorizations to purchase a dollar volume within a given category are made to a buyer without being committed to specific suppliers.



OPEN-TO-RECEIVE

Authorization to receive goods, such as a blanket release, firm purchase order item or supplier schedule.

OPTICAL CHARACTER RECOGNITION (OCR)

A mechanized method of collecting data. It involves reading hand-printed or special-character fonts. If handwritten, the information must adhere to predefined rules of size, format, and locations on the form.

ORDER BATCHING

Practice of compiling and collecting orders before they are sent in to the manufacturer.

ORDER CYCLE (OC)

The time and process involved from the placement of an order to the receipt of the shipment.

ORDER FILL (OF)

Percentage of all orders fulfilled without relying on re-stocking.

ORDER FULFILLMENT

The ability to fulfill customer demand by accurately forecasting the inventory and distribution of products required.

ORDER FULFILLMENT LEAD TIMES

Average, consistently achieved lead-time from customer order origination to customer order receipt, for a particular manufacturing process strategy (Make-to-Stock, Make-to-Order, Configure/Package-to-Order, Engineer-to-Order). Excess lead-time created by orders placed in advance of typical lead times (Blanket Orders, Annual Contracts, Volume Purchase Agreements, etc.) is excluded. (An element of Total Supply Chain Response Time)

ORDER LEAD TIME

Time from the transmission of an order to a supplier for a current product until delivery.

OPEN TO BUY

A control technique used in aggregate inventory management in which authorizations to purchase are made without being committed to specific suppliers. These authorizations are often reviewed by management using such measures as commodity in dollars and by time period.



ORDER PENETRATION POINT

Identification of the time and place in the Logistics Chain when goods in movement are assigned to a particular customer. This order penetration point can be located at the production or distribution level and can represent the meeting point between the manufacturer's push system and the customer's pull system.

ORDER POINT

Stock level that triggers a replenishment order. This stock level considers the forecast stock usage during the replenishment lead time, plus Safety Stock.

ORDER POINT METHOD

Replenishment policy with variable date and set quantity, based on defining the stock level (Order Point) that triggers the order signal.

OUT OF STOCK

The state of not having inventory at a location and available for distribution or for sale to the consumer (zero inventory).

OUTSOURCING

Corporate decision to assign activities, previously performed internally, to a third party (for example, a Logistics Service Provider). Initially, the shippers (manufacturing or commercial companies) outsourced transport, and then progressively did the same for more value-added logistics services (Co-Packing, for example).

P

PACKAGE TO ORDER

A production environment in which a good or service can be packaged after receipt of a customer order.

PACKING LIST

A packing list is a document that summarizes the list of articles and quantities making up each parcel of a shipment. Depending on the industry, this document can have different formats. It is used by the receiver (customer delivered to) to facilitate the control of goods received.

PARETO'S LAW

Inventory classification method (ABC Classification or 20/80 Classification) used to distinguish the products with high value, for which strict monitoring is enforced, from products of lesser value whose monitoring will be more flexible.



PC-BASED CONTROL

A PC-based control is a computer programmed to control automated materials-handling and control systems.

PERIODIC INVENTORY

Regular updating (usually manually) of stock levels of one or more items. This regular count for all or part of inventory is used to correct the variance between the stock levels provided by the Perpetual Inventory and the actual levels.

PERPETUAL INVENTORY

Continual updating of stock levels based on real-time entering (computerized or manual) of all stock item movements. Various problems (theft, breakage, input errors, etc.) explain the variance between the theoretical stock levels provided by this information and the reality, thus requiring Periodic Inventories.

PERSONAL AREA NETWORK

A personal area network, or PAN, is a short-range communications network enabled by Bluetooth technology. A PAN typically covers only a few feet and allows a wireless scanning device to communicate with a mobile computer or printer.

PERT

Abbreviation for program evaluation and review technique.

PFS

Abbreviation for process flow scheduling.

PHANTOM BILL OF MATERIAL

A bill-of-material coding and structuring technique used primarily for transient (non-stocked) subassemblies.

PHYSICAL INVENTORY

The determination of inventory quantity by actual count. Physical inventories can be taken on a continuous, periodic, or annual basis.

PICK AND PACK

Method of preparing orders combining operations of stock picking and packing. This method becomes very effective if it is performed on the basis of prepacking, where the parcels for each order are predetermined, and printed transport labels are prepared in advance.

**PICK-BY-LIGHT**

A laser identifies the bin for the next item in the rack; when the picker completes the pick, the bar code is scanned and the system then points the laser at the next bin.

PICK BY LINE (PBL)

Stockless (virtual) warehouse, where suppliers deliver aggregate orders in bulk, and goods are picked by line into store lanes.

PICK THEN PACK

Method of preparing orders separating operations of stock picking and packaging. This method implies several steps in the handling of stock but allows for batch picking that can be very effective if the number of customers to be delivered to is limited.

PIGGYBACK TRAILER ON FLATCAR

A specialized form of containerization in which rail and motor transport are coordinated.

PLC

Abbreviation for programmable logic controller.

POINT-OF-PURCHASE (POP)

A retail sales term referring to the area where a sale occurs, such as the checkout counter. POP is also used to refer to the displays and other sales promotion tools located at a checkout counter.

POINT OF SALE (POS)

1) The time and place at which a sale occurs, such as a cash register in a retail operation, or the order confirmation screen in an online session. Supply chain partners are interested in capturing data at the POS, because it is a true record of the sale rather than being derived from other information such as inventory movement. 2) Also a national network of merchant terminals, at which customers can use client cards and personal security codes to make purchases. Transactions are directed against client deposit accounts. POS terminals are sophisticated cryptographic devices, with complex key management processes. POS standards draw on ABM network experiences and possess extremely stringent security requirements.

POKA YOKE (MISTAKE-PROOF)

The application of simple techniques that prevent process quality failure.

POST-MANUFACTURING

Handling by the Logistics Service Provider of productive operations related to the assembly of finished products.



POSTPONEMENT

Production method that standardizes manufacturing operations as much as possible (to reduce unit production costs, stock volumes and work in process) by postponing the differentiation of products as long as possible. When the product differentiation operations are assigned to a Logistics Service Provider it can be called Post-Manufacturing.

PRE-DELIVERY INSPECTION (PDI)

Manufacturer's inspection (and modification/enhancement, as required) of new cars prior to delivery to customer or dealer.

PRE-MANUFACTURING

Handling by the Logistics Service Provider of productive operations related to the assembly of intermediate production goods.

PREPACKING

Prepacking is based on computer simulation of order packing according to the dimensions and characteristics of the stock per order. The person preparing the order can thus be informed of the type of case to use for packing orders. Although its implementation is costly, prepacking can result in big savings (increased productivity, rationalization of consumable material, less broken merchandise, etc.).

PRICE LOOK-UP (PLU)

Used for retail products sold loose, bunched or in bulk (to identify the different types of fruit, say). As opposed to UPC (Universal Product Codes) for packaged, fixed-weight retail items. A PLU code contains 4–5 digits in total. The PLU is entered before an item is weighed to determine a price.

PROCUREMENT

The business functions of procurement planning, purchasing, inventory control, traffic, receiving, incoming inspection, and salvage operations. Syn: Purchasing.

PRODUCTION CAPACITY

Measure of how much production volume may be experienced over a set period of time.

PRODUCTIVITY MEASUREMENT

A labour-reporting system that compares individuals' work achievement to standards or averages.



PRODUCT LIFECYCLE MANAGEMENT (PLM)

Software for managing product lifecycles.

PRODUCT MOVEMENT COST

Set of charges related to the movement of products between the different entities of the logistics chain (example: inbound transport, internal transport to the production site, handling, etc.).

PRODUCTION LOGISTICS

Set of activities with the goal of making available the desired items and quantities of raw materials and work in process, at the time desired by the different production and/or assembly units at the best pricing terms. This process involves the definition of management policies (flow management model, inventory management of work in process, transfer and handling system, transport management between storage sites and production units, etc.).

PROGRAMMABLE LOGIC CONTROLLER (PLC)

An electronic device programmed to test the state of input process data and to set output lines in accordance with the input state, thus providing control instructions or branching to another set of tests. Programmable controllers provide factory-floor operations with the ability to monitor and rapidly control hundreds of parameters, such as temperature, pressure, etc.

PROOF OF DELIVERY (POD)

Information supplied by the carrier containing the name of the person who signed for the shipment, the time and date of delivery, and other shipment delivery related information. POD is also sometimes used to refer to the process of printing materials just prior to shipment (Print on Demand).

PROOF OF PERFORMANCE (POP)

Required on advertising claims.

PULL DISTRIBUTION

Supply-chain action initiated by the customer. Traditionally, the supply chain was pushed; manufacturers produced goods and “pushed” them through the supply chain, and the customer had no control. In a pull environment, a customer’s purchase sends replenishment information back through the supply chain from retailer to distributor to manufacturer, so goods are “pulled” through the supply chain.



PULL (SYSTEM)

In distribution, a system for replenishing field warehouse inventories wherein replenishment decisions are made at the field warehouse itself, not at the central warehouse or plant.

PUSH DISTRIBUTION

The process of building product and pushing it into the distribution channel without receiving any information regarding requirements. Also see: Pull or Pull-Through Distribution

PUSH (SYSTEM)

In distribution, a system for replenishing field warehouse inventories wherein replenishment decision-making is centralized, usually at the manufacturing site or central supply facility.

PUT-AWAY

In warehousing, the placement of received goods into a storage area. It can involve intermediate staging.

Q

QUALITY ASSURED DELIVERY (QAD)

Logistics company takes responsibility for quality control.

QUALITY FUNCTION DEPLOYMENT (QFD)

A structured method for translating user requirements into detailed design specifications using a continual stream of “what-how” matrices. QFD links the needs of the customer (end user) with design, development, engineering, manufacturing, and service functions.

QUARANTINE

Removing items from availability for use or sale until all required quality tests have been performed and conformance certified.

QUICK RESPONSE

Flow management model developed in the distribution sector which triggers the just-in-time restocking of sales outlets based on cases output, to reduce stock levels and improve the quality of service by adapting as rapidly as possible to demand fluctuations.



R

RACKING

A function performed by a rack-jobber, a full-function intermediary who performs all regular warehousing functions and some retail functions—typically, stocking a display rack. Also a definition that is applied to the hardware used to build racks.

RADIO FREQUENCY DATA COMMUNICATION

RFDC technologies enable readers to wirelessly transmit real-time information to a host system. Information is communicated from a mobile computer to a radio transceiver, which acts as a base station. The receiver, in turn, routes messages to a network controller, which acts as an interface between a host system and the radio network.

RADIO FREQUENCY LABELS

See Intelligent Label.

RANDOM LOCATION STORAGE

A storage technique in which parts are placed in any space that is empty when they arrive at the storeroom. Although this random method requires the use of a locator file to identify part locations, it often requires less storage space than a fixed location storage method.

RATE-BASED SCHEDULING

A method for scheduling and producing based on a periodic rate, e.g., daily, weekly or monthly. This method has traditionally been applied to high-volume and process industries.

RATE BASIS POINT

The major shipping point in a local area; all points in the local area are considered to be the rate basis point.

RAW MATERIALS (RM)

Crude or processed material that can be converted by manufacturing, processing, or combination of these, into a new and useful product.

REAL TIME

Real time is the capture and communication of information about events as they occur.



REAL-TIME LOCATING SYSTEM

RTLS describes any wireless technology that can be used to continuously determine and track the real-time location of assets and personnel, inside and outside a facility. In a typical solution, assets are tagged with an RFID tag that periodically communicates with locating system readers, which confirm and estimate the tag locations.

RECEIVING

The function encompassing the physical receipt of material, the inspection of the shipment for conformance with the purchase order (quantity and damage), the identification and delivery to destination, and the preparation of receiving reports.

RECONSIGNMENT

A carrier service that permits changing the destination and/or consignee after the shipment has reached its originally billed destination and paying the through rate from origin to final destination.

REPLACEMENT COST

See NIFO.

REPLENISHMENT

Approach to determining the order quantity and order date of stocks. There are 4 traditional replenishment policies: date-managed inventory, replenishment method, order point method, and replenishment of variable quantities at variable dates.

REPLENISHMENT LEVEL

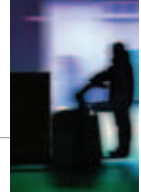
Replenishment policy using fixed dates and variable quantities. In each period a quantity is ordered to reach the previously defined optimal stock level.

REQUEST FOR PROPOSAL (RFP)

A document that provides information concerning needs and requirements for a manufacturer. This document is created in order to solicit proposals from potential suppliers. For example, a computer manufacturer may use an RFP to solicit proposals from suppliers of third-party logistics services.

REQUEST FOR QUOTE (RFQ)

A document used to solicit vendor responses when a product has been selected and price quotations are needed from several vendors.



RETAIL MANAGEMENT REPLENISHMENT (RMR)

Continuous replenishment approach directed by the distributor. On the basis of their sales forecasts they develop the replenishment programs and transmit them to their suppliers. The suppliers replenish the distributor warehouses according to delivery requests from the distributors.

RETURN MATERIAL AUTHORIZATION OR RETURN MERCHANDISE AUTHORIZATION (RMA)

A number usually produced to recognize and give authority for a faulty, perhaps, good to be returned to a distribution centre of manufacturer. A form generally required with a Warranty/Return, which helps the company identify the original product and the reason for return.

RETURN ON INVESTMENT (ROI)

A financial measure of the relative value of an investment, usually expressed as a percentage, and calculated by dividing earnings produced by the amount invested. See Payback.

RETURN TO VENDOR (RTV)

Material that has been rejected by the customer or the buyer's inspection department and is awaiting shipment back to the supplier for repair or replacement. Returns inventory costs: The costs associated with managing inventory, returned for any of the following reasons: repair, refurbish, excess, obsolescence, End-of-Life, ecological conformance, and demonstration. Includes all applicable elements of the Level 2 component Inventory Carrying Cost of Total Supply Chain Management Cost.

REVERSE LOGISTICS

Process for handling merchandise return:

requested by consumers because of errors or technical problems requiring repair; initiated by the company to recycle or eliminate products at the end of their life or put a value on them (on the used market for example, for certain manufactured products).

RFID

Radio Frequency Identification. Also see: Radio Frequency



RFID READER

A reader is really a radio-wave transmitter/receiver. It transmits a radio signal that powers passive RFID tags. The reader receives information back from passive tags, as well as from active tags, which broadcast on their own. The reader then converts those radio waves into data that can be used by a computer system.

RFID TAG

An RFID tag consists of a microchip, which holds information, and of an antenna, which sends and receives radio signals. For supply-chain applications, many companies will use “smart labels,” which combine an RFID tag with a traditional bar-code label. An active tag has a battery that transmits signals on its own. Passive tags have no battery and are dormant until they receive a signal from a reader. Active tags have read ranges of up to 100 feet, while passive tags have read ranges of less than 10 feet.

S

SAFETY STOCK

Quantity designed to offset a jump in demand and/or a delay in supply/production. Safety Stock is an “unproductive” stock.

SALES & OPERATIONS PLANNING (S&OP)

A strategic planning process that reconciles conflicting business objectives and plans future supply chain actions. S&OP Planning usually involves various business functions such as sales, operations and finance to agree on a single plan/forecast that can be used to drive the entire business.

SCADA

SCADA is an acronym for supervisory control and data acquisition, which is done in real time. SCADA typically describes the information highway that routes information from the corporate-level enterprise resource planning (ERP) system to supply-chain execution and materials-handling control software, and finally terminating at the device-level network of machines, sensors and controls. The tools described below all go into creating a SCADA network.

SCAN-BASED TRADING (SBT)

Scan-based trading is a method of using Point of Sale data from scanners and retail checkout to initiate invoicing between a manufacturer and retailer (pay on use), as well as generate re-supply orders.



SCOR

Supply Chain Operations Reference Model. This is the model developed by the Supply Chain Council SCC and is built around six major processes: plan, source, make, deliver, return and enable. The aim of the SCOR is to provide a standardized method of measuring supply chain performance and to use a common set of metrics to benchmark against other organizations.

SEASONAL COEFFICIENT (BASE SERIES METHOD)

Coefficient representing a series of reference data used in the context of forecasting seasonal demand.

SECURE ELECTRONIC TRANSACTION (SET)

In e-commerce, a system for guaranteeing the security of financial transactions conducted over the Internet.

SENSOR

A sensor is a device that responds to a physical stimulus and produces an electronic signal that is communicated to another device. In the real-time world of manufacturing and distribution, sensors are used to monitor and report on changes in temperature, motion or position, and other important conditions.

SERIAL SHIPPING CONTAINER CODE (SSCC)

Bar code symbol identifying the transportation unit (for example, the container). The SSCC is the code used to track the merchandise.

SINGLE-PERIOD INVENTORY MODELS

Inventory models used to define economical or profit maximizing lot-size quantities when an item is ordered or produced only once, e.g., newspapers, calendars, tax guides, greeting cards or periodicals, while facing uncertain demands.

SHELF LIFE

The amount of time an item may be held in inventory before it becomes unusable. Shelf life is a consideration for food and drugs which deteriorate over time, and for high-tech products which become obsolete quickly.

SHIPPING MANIFEST

The shipping manifest summarizes the list of deliveries (bills of lading) that a carrier has been assigned by a shipper. It is very often reorganized by the carrier to reflect the contents of the trailer, instructions specific to each delivery, and the order of stops the driver must follow.



SIX SIGMA QUALITY

A term used generally to indicate that a process is well controlled, i.e., tolerance limits are ± 6 sigma (3.4 defects per million events) from the centerline in a control chart. The term is usually associated with Motorola, which named one of its key operational initiatives Six-Sigma Quality.

SPECIFICATIONS

Written document associated with a commercial contract formalizing the obligations (regulatory, administrative, technical, security, etc.) of the parties to the agreement (a manufacturer and their Logistics Service Provider, for example).

SPLIT DELIVERY

A method by which a larger quantity is ordered on a purchase order to secure a lower price, but delivery is divided into smaller quantities and spread out over several dates to control inventory investment, save storage space, etc.

STACKING

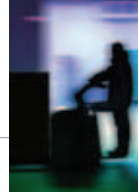
The term stacking is used in the context of warehousing for the piling up of pallets. A product is “stackable” if its physical characteristics make it possible to stack its pallets. Certain warehouse management systems can limit stacking by product and/or by store and use this concept to manage the storage capacity of locations automatically and by context.

STAGING

Pulling material for an order from inventory before the material is required. This action is often taken to identify shortages, but it can lead to increased problems in availability and inventory accuracy. Also see: Accumulation Bin

STATEMENT OF WORK (SOW)

1) A description of products to be supplied under a contract. A good practice is for companies to have SOWs in place with their trading partners – especially for all top suppliers. 2) In project management, the first project planning document that should be prepared. It describes the purpose, history, deliverables, and measurable success indicators for a project. It captures the support required from the customer and identifies contingency plans for events that could throw the project off course. Because the project must be sold to management, staff, and review groups, the statement of work should be a persuasive document.



STATISTICAL QUALITY CONTROL (SQC)

Techniques to control quality through sampling and statistical process control.

STOCK KEEPING UNIT (SKU)

A category of unit with unique combination of form, fit, and function (i.e., unique components held in stock). To illustrate: If two items are indistinguishable to the customer, or if any distinguishing characteristics visible to the customer are not important to the customer, so that the customer believes the two items to be the same, these two items are part of the same SKU. As a further illustration consider a computer company that allows customers to configure a product from standard catalogue components, choosing from three keyboards, three monitors, and three CPUs. Customers may also individually buy keyboards, monitors, and CPUs. If the stock were held at the configuration component level, the company would have nine SKUs. If the company stocks at the component level, as well as at the configured product level, the company would have 36 SKUs (9 component SKUs + $3*3*3$ configured product SKUs). If as part of a promotional campaign the company also specially packaged the products, the company would have a total of 72 SKUs.

STORAGE COST

Set of costs due to different warehouse activities: direct and indirect personnel costs, cost of information system operation, depreciation of movable and immovable installations, etc.

STOCK QUALITY

Stock quality is a code used by inventory management systems to qualify an unavailable item. This code can be used to isolate the stock without moving it while continuing to manage it.

SUBCONTRACTING

Corporate policy in which an organization (the contracting party) assigns the development of certain activities (transport, co-packing, etc.) to a third party (the subcontractor, for example a Logistics Service Provider).

SUBSTITUTE ITEM (ALTERNATIVE STOCK)

Replacement article likely to be substituted for another to fulfill a need or a request.

SUPPLY CHAIN EXECUTION (SCE)

Computer application integrating all information flows to do with operational management of activities making up the Logistics Chain. SCE package are generally made up of three main interfaced information management applications: TMS (Transportation Management Systems), WMS (Warehousing Management Systems) and AOM (Advanced Order Management).



SUPPLY CHAIN MANAGEMENT (SCM)

Approach to managing and synchronizing all the processes enabling one or more customer / supplier systems to take into account and respond to expectations of the end customers (from the supplier of the supplier to the customer of the customer). This approach is designed to increase the value created for the customer and improve the economic performance of the participating companies. It covers all of the collaborative inter-corporate processes: logistics management, CPFR, Trade-Marketing, Co-Managed Inventory, etc.

By extension, SCM terminology has often been applied to Logistics Chain optimization packages based on two types of computer applications: SCE and SCP. The data of these two applications can now be integrated in a new type of software called SCEN.

SUPPLY CHAIN PLANNING (SCP)

Computer application for simulating and planning all processes of the Logistics Chain.

SUPPLY LOGISTICS

Set of activities with the goal of making available the desired items and quantities of raw materials, semifinished products, equipment, etc. at the time desired by the company (information contained in the Material Requirements Plan) at the best pricing terms. This process involves the definition of a supply policy (supply management method, delivery cycle time, management of inbound transportation, establishment of a supplier network, information system to be developed, etc.).

SUPPORT COSTS

Costs of activities not directly associated with producing or delivering products or services. Examples are the costs of information systems, process engineering and purchasing. Also see: Indirect Costs.

SYNCHRONOUS FLOW

Flow management model coordinating the supply of different components (originating possibly from different suppliers) according to their order of use in the production line. This management model, used in particular in the automotive industry, delivers the right quantities necessary to the different workstations at the latest possible time.

T

TAG

See Intelligent Label.



TAGUCHI METHOD

A concept of off-line quality control methods conducted at the product and process design stages in the product development cycle. This concept, expressed by Genichi Taguchi, encompasses three phases of product design: system design, parameter design and tolerance design. The goal is to reduce quality loss by reducing the variability of the product's characteristics during the parameter phase of product development.

TAG CLASS

Two tag types are defined in Generation 1 standards. Class 0 tags are programmed with identifying numbers at the point of manufacture. Class 1 tags can be programmed in the field.

TAKT TIME

Sets the pace of production to match the rate of customer demand and becomes the heartbeat of any lean production system. It is computed as the available production time divided by the rate of customer demand.

TARGET STOCK

Level to which the stock of a given article at a customer's location is filled up by the replenishment process. Can be defined manually or calculated by a forecast.

THEORETICAL CYCLE TIME

The back-to-back process time required for a single unit to complete all stages of a process without waiting, stoppage or time lost due to error.

THIRD PARTY LOGISTICS

See Logistics Service Provider.

THIRD-PARTY WAREHOUSING

The outsourcing of the warehousing function by the seller of the goods.

THROUGHPUT

A measure of warehousing output volume (weight, number of units). Also, the total amount of units received plus the total amount of units shipped, divided by two.

TIME-BASED COMPETITION

A corporate strategy that emphasizes time (rather than just cost) as the measurement for achieving and maintaining a competitive advantage.

**TIME-TO-MARKET**

Quantitative indicator measuring the time elapsed between product development and actual marketing.

TIME-TO-PRODUCT

The total time required to receive, fill and deliver an order for an existing product to a customer, timed from the moment that the customer places the order until the customer receives the product.

TOTAL COST OF OWNERSHIP (TCO)

Total cost of a computer asset throughout its lifecycle, from acquisition to disposal. TCO is the combined hard and soft costs of owning networked information assets. 'Hard' costs include items such as the purchase price of the asset, implementation fees, upgrades, maintenance contracts, support contracts, and disposal costs, licence fees that may or may not be upfront or charged annually. These costs are considered 'hard costs' because they are tangible and easily accounted for.

TOTAL QUALITY CONTROL (TQC)

The process of creating and producing the total composite product and service characteristics by marketing, engineering, manufacturing, purchasing, etc., through which the product and service, when used, will meet the expectations of customers.

TOTAL QUALITY MANAGEMENT (TQM)

Approach to managing corporate human, financial, physical and technological resources based on quality methods and practices with the aim of satisfying the various parties involved (customers, shareholders, employees, etc.).

TRACEABILITY

Ability to track a product from the development stage to its end of life.

Traceability includes:

- tracking: real-time location of the entity in the Logistics Chain;
- tracing: possibility of obtaining information in non-real time from data recorded about the flow (flow memory).

TRACING

The practice of relating resources, activities and cost objects using the drivers underlying their cost-causal relationships. The purpose of tracing is to observe and understand how costs are arising in the normal course of business operations. Synonym: Assignment.



TRACKING AND TRACING

Monitoring and recording shipment movements from origin to destination.

TRADE-MARKETING

Approach in which developing, realizing and co-financing of marketing operations involves both the manufacturer and the distributor.

TRANSPORT MANAGEMENT SYSTEM (TMS)

Computer application, and component of SCE packages, with the goal of optimizing the organization and cost of transport runs.

U

UNIFORM PRODUCT CODE (UPC)

A standard product numbering and bar coding system used by the retail industry. UPC codes are administered by the Uniform Code Council; they identify the manufacturer as well as the item, and are included on virtually all retail packaging. Also see: Uniform Code Council

UNITED NATIONS STANDARD PRODUCTS AND SERVICES CODE (UN/SPSC)

The United Nations Standard Products and Services Code is a hierarchical convention that is used to classify all products and services. It was developed jointly between the UN and Dun & Bradstreet (D&B). Has a five level coding structure (segment, family, class, commodity, business function) for nearly 9,000 products.

UNIT OF MEASURE (PURCHASING)

The unit used to purchase an item. This may or may not be the same unit of measure used in the internal systems. For example, steel may be purchased by the ton, but it may be issued and used in square inches.

UNIVERSAL SERIAL BUS (USB)

A universal connector that replaces serial and parallel connections for PC peripherals, with a standard plug and cable carrying both data and power. The USB significantly increases the number of peripherals that can be attached.

UPCHARGES

Charges added to a bill, particularly a freight bill, to cover additional costs that were not envisioned when a contract was written.



V

VALUE-ADDED NETWORK

Computer network connecting different stations (for example, point of sale terminals, onboard terminals, etc.). Through the integration of data, it enables valuable information to be produced for decision-making.

VALUE CHAIN

A series of activities, which combined, define a business process; the series of activities from manufacturers to the retail stores that define the industry supply chain.

VALUE-OF-SERVICE PRICING

Pricing according to the value of the product being transported; third-degree price discrimination; demand-oriented pricing; charging what the traffic will bear.

VENDOR MANAGED INVENTORY (VMI)

See CMI.

VENDOR STOCK NUMBER

The vendor's identification number for his product. Also known as VID number.

VERTICAL INTEGRATION

The degree to which a firm has decided to directly produce multiple value-adding stages from raw material to the sale of the product to the ultimate consumer. The more steps in the sequence, the greater the vertical integration.

VOICE-RECOGNITION SYSTEM

Voice-recognition technology converts human speech into electrical signals. Operators wear a microphone/speaker headset connected to a mobile computer that communicates with a host computer system. Voice technology allows operators to execute instructions and to collect and communicate data in a hands-free environment.

W

WAGNER-WITHIN ALGORITHM

A mathematically complex dynamic lot-sizing technique that evaluates all possible ways of ordering to cover net requirements in each period of the planning horizon to arrive at the theoretically optimum ordering strategy for the entire net requirements schedule.

WALL-TO-WALL INVENTORY

An inventory management technique in which material enters a plant and is processed through the plant into finished goods without ever having entered a formal stock area.



WAREHOUSE MANAGEMENT SYSTEM (WMS)

Computer application, and component of SCE packages, with the goal of managing and optimizing warehouse operations.

WAVE PICKING

A method of selecting and sequencing picking lists to minimize the waiting time of the delivered material. Shipping orders may be picked in waves combined by a common product, common carrier or destination, and manufacturing orders in waves related to work centres.

WEB-EDI

See EFI.

WEIGHT BREAK

The shipment volume at which the LTL charges equal the TL charges at the minimum weight.

WEIGHTED AVERAGE UNIT COST

Method of valuing stock issues by calculating the average unit value of stock on-hand as the total value of the stock divided by the quantity stocked.

802.11/WI-FI

802.11 is the radio frequency standard used to wirelessly transmit data inside a warehouse or manufacturing plant. The 802.11 standard is ideal for transactional type processing, like order picking, and is good in an area where there may be interference with the radio signal. Devices built to the 802.11 B “Wi-Fi” (or wireless fidelity) standard are truly interoperable out of the box. This allows one vendor’s handheld device to work with another vendor’s truck-mounted unit in the same facility.

WIDE AREA NETWORK (WAN)

A data communications approach for linking computers distributed over a large geographic area.

WORKFLOW

Generic term designating software for managing a process (a production workflow for example).

WORK-IN-PROCESS (WIP)

Parts and subassemblies in the process of becoming completed finished goods. Work in process generally includes all of the material, labour and overhead charged against a production order which has not been absorbed back into inventory through receipt of completed products.



Y

YARD MANAGEMENT SYSTEM (YMS)

A system which is designed to facilitate and organize the coming, going and staging of trucks and trucks with trailers in the parking “yard” that serves a warehouse, distribution or manufacturing facility.

Z

ZIGBEE

Zigbee is a technology similar to a mesh network, but developed for short-range power, like a Bluetooth-enabled personal area network. A Zigbee network, for instance, might route information between RFID readers on shelves in a warehouse.

ZONE PICKING

A method of subdividing a picking list by areas within a storeroom for more efficient and rapid order picking. A zone-picked order must be grouped to a single location and the separate pieces combined before delivery or must be delivered to different locations, such as work centres. Also see: Batch Picking.

ZONE PRICE

The constant price of a product at all geographic locations within a zone. ⁿ